

THEEWATERSKLOOF

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2015

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Theewaterskloof Municipality includes the following areas:

<i>Caledon</i>	<i>Greyton</i>
<i>Grabouw</i>	<i>Genadendal</i>
<i>Villiersdorp</i>	<i>Botrivier</i>
<i>Riviersonderend</i>	<i>Tesselaarsdal</i>

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt	
Deputy Executive Mayor	Mr. M. Tshaka	
Executive Councillor	Mr. N.H. De Wet	(Resigned - 6/3/2015)
Executive Councillor	Mrs. M.M. Koegelenberg	(Appointed - 16/3/2015)
Executive Councillor	Mr. G.E.M. Carelse	
Executive Councillor	Mrs. P.U. Stanfliet	
Executive Councillor	Mr K Papier	
Executive Councillor	Mrs. C. Vosloo (Speaker)	

MUNICIPAL MANAGER

Mr. H.S.D. Wallace

CHIEF FINANCIAL OFFICER

Mr. D Louw

REGISTERED OFFICE

6 Plein Street, CALEDON, 7230

AUDITORS

Auditor General of South Africa (AGSA)

PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon. 7230

ATTORNEYS

Bosman & Smit
Fairbridges Attorneys
Herold Gie Attorneys
IAJ Malherbe Incorporated
Johnson Kuun & Co
Cloughton & Wehmeyer
Guthrie & Theron
Du Plessis & Mostert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

THEEWATERSKLOOF MUNICIPALITY

MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet (Resigned - 6/3/2015)
5	Mr. C.M. Lamprecht (Appointed - 3/6/2015)
6	Mrs. J. Nellie
7	Mrs. P.U. Stanfliet
8	Mrs. C.V. Thembani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mr. M Mathews (Resigned - 26/9/2014)
11	Mrs. L. Matomela (Appointed - 26/11/2014)
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
Proportional	Mr. C Punt
Proportional	Mrs. C. Vosloo
Proportional	Mr. G.E.M. Carelse
Proportional	Mr. C.D. November
Proportional	Mr. I.M. Sileku
Proportional	Mr. P. De Wet
Proportional	Mrs. F.V. Mankayi
Proportional	Mr J.P. Hendricks
Proportional	Mrs. S.R. Witbooi (Resigned - 23/2/2015)
Proportional	Mrs. M. Appel (Appointed - 11/3/2015)
Proportional	Mr. M.R. Nongxaza
Proportional	Mr. J. van Niekerk
Proportional	Mr. A. Cupido

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


 Mr H.S.D. Wallace
 Municipal Manager

31 August 2015
 Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015	2014
		R	R
NET ASSETS AND LIABILITIES			
Net Assets		718,738,864	641,819,138
Capital Replacement Reserve	2	15,721,475	6,499,770
Revaluations Reserve	2	84,991,016	81,275,442
Social Contribution Reserve	2	55,278	55,278
Accumulated Surplus		617,971,095	553,988,648
Non-Current Liabilities		210,211,602	178,788,906
Long-term liabilities	3	102,924,422	110,090,615
Employee benefits	4	48,342,732	42,733,220
Non-current provisions	5	58,944,447	25,965,070
Current Liabilities		91,644,439	67,110,743
Consumer deposits	6	3,893,108	3,659,875
Current Employee benefits	7	15,601,178	13,897,836
Payables from exchange transactions	8	50,357,880	39,513,381
Unspent conditional government grants and receipts	9	10,617,927	1,221,852
Unspent Public Contributions	10	843,868	488,399
Taxes	11.1	2,704,909	1,355,492
Current portion of long-term liabilities	3	7,625,567	6,973,907
Total Net Assets and Liabilities		1,020,594,904	887,718,787
ASSETS			
Non-Current Assets		908,951,564	810,655,220
Property, plant and equipment	12	707,083,785	642,985,364
Capitalised restoration costs	13	31,704,397	89,364
Investment property	14	159,063,601	165,792,813
Intangible assets	15	1,267,644	1,573,385
Long-term investments	16	9,832,136	190,437
Heritage Assets	17	-	-
Long-term receivables	18	-	23,857
Current Assets		111,643,341	77,063,567
Inventory	19	4,848,108	4,006,600
Receivables from exchange transactions	20	16,759,094	12,277,604
Receivables from non-exchange transactions	21	18,681,851	14,723,267
Unpaid conditional government grants and receipts	9	-	6,313,484
Operating lease asset	22.1	495,129	489,252
Taxes	11.2	2,389,657	1,219,981
Current portion of long-term receivables	18	6,811	5,429
Cash and cash equivalents	23	68,462,691	38,027,950
Total Assets		1,020,594,904	887,718,787

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	2014 R	Correction of Error - Note 39 R	2014 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		264,204,479	272,410,092	(595,397)	273,005,490
Taxation Revenue		68,768,536	58,313,803	(359,199)	58,673,002
Property taxes	24	68,768,536	58,313,803	(359,199)	58,673,002
Transfer Revenue		169,355,402	155,724,081	(236,198)	155,960,279
Government Grants and Subsidies	25	168,311,110	154,375,531	(236,198)	154,611,729
Public Contributions and Donations	26	1,044,291	1,299,050	-	1,299,050
Donations for Property, Plant and Equipment		-	49,500	-	49,500
Other Revenue		26,080,541	58,372,208	-	58,372,209
Actuarial Gains		-	166,803	-	166,803
Third Party Payments		833,110	226,910	-	226,910
Fines		25,247,432	29,835,408	-	29,835,408
Fair Value Adjustments	29	-	28,143,088	-	28,143,088
Revenue from Exchange Transactions		178,190,576	166,246,978	-	166,246,978
Service Charges	27	153,960,353	142,531,766	-	142,531,766
Rental of Facilities and Equipment		1,467,255	1,936,232	-	1,936,232
Interest Earned - external investments		5,134,068	2,903,978	-	2,903,978
Interest Earned - outstanding debtors		6,473,252	9,267,473	-	9,267,473
Licences and Permits		2,560,578	2,635,096	-	2,635,096
Agency Services		2,435,053	2,189,056	-	2,189,056
Other Income	28	4,293,210	4,473,590	-	4,473,590
Gain on disposal of Property, Plant and Equipment		1,866,808	309,787	-	309,787
Total Revenue		442,395,055	438,657,069	(595,397)	439,252,468
EXPENDITURE					
Employee related costs	30	138,724,858	124,567,548	-	124,567,548
Remuneration of Councillors	31	8,573,261	8,203,131	-	8,203,131
Debt Impairment	32	36,926,127	47,239,932	-	47,239,932
Depreciation and Amortisation	33	10,552,597	10,283,579	-	10,283,579
Impairments	34	2,056,260	22,532,038	-	22,532,038
Repairs and Maintenance		22,368,498	18,412,044	-	18,412,044
Actuarial losses	4	230,910	4,183,018	-	4,183,018
Finance Charges	35	13,236,707	12,478,081	-	12,478,081
Bulk Purchases	36	54,669,586	50,043,145	-	50,043,145
Contracted services		18,524,663	17,749,201	-	17,749,201
Grants and Subsidies	37	1,350,834	911,756	87,866	823,890
General Expenses	38	58,231,814	63,777,110	-	63,777,110
Loss on disposal of Property, Plant and Equipment		3,744,789	341,301	-	341,301
Total Expenditure		369,190,902	380,721,886	87,866	380,634,018
NET SURPLUS/(DEFICIT) FOR THE YEAR		73,204,152	57,935,184	(683,263)	58,618,450

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Revaluations Reserve	Capital Replacement Reserve	Social Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 30 JUNE 2013	41,091,455	499,770	55,278	491,252,538	532,899,042
Correction of error - Note - 39.09		-	-	10,800,926	10,800,926
Restated balance at 1 JULY 2013	41,091,455	499,770	55,278	502,053,464	543,699,968
Net Surplus for the year	-	-	-	57,935,184	57,935,184
Revaluation of PPE	40,183,987	-	-	-	40,183,987
Transfer to Social contribution Reserve	-	-	-	-	-
Transfer to/from reserves	-	6,000,000	-	(6,000,000)	-
Balance at 30 JUNE 2014	81,275,442	6,499,770	55,278	553,988,648	641,819,139
Net Surplus for the year	-	-	-	73,204,152	73,204,152
Revaluation of PPE	3,715,584	-	-	-	3,715,584
Transfer to Social contribution Reserve	-	-	-	-	-
Transfer to Capital Replacement Reserve	-	10,000,000	-	(10,000,000)	-
Transfer to/from reserves	-	(778,295)	-	778,295	-
Balance at 30 JUNE 2015	84,991,026	15,721,475	55,278	617,971,095	718,738,875

THEEWATERSKLOOF MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		216,262,471	198,375,735
Government grants		184,020,670	146,908,415
Public Contributions		1,399,760	925,329
Interest		11,607,320	12,171,451
Payments			
Suppliers and employees		(285,874,551)	(278,591,744)
Finance charges	35	(11,876,565)	(11,493,092)
Transfers and Grants		(1,350,834)	(911,756)
Cash generated by operations	40	114,188,272	67,384,337
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(73,112,869)	(62,946,681)
Proceeds on Disposal of Fixed Assets		5,755,153	1,584,368
Purchase of Intangible Assets	15	(14,338)	-
Increase in Non-current Investments	16	(9,641,699)	(190,437)
Net Cash from Investing Activities		(77,013,753)	(61,552,750)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(6,973,009)	(6,977,661)
New loans raised		-	11,275,461
Increase in Consumer Deposits		233,233	353,648
Net Cash from Financing Activities		(6,739,776)	4,651,448
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,434,742	10,483,036
Cash and Cash Equivalents at the beginning of the year		38,027,950	27,544,914
Cash and Cash Equivalents at the end of the year	41	68,462,691	38,027,950
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,434,742	10,483,036

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015
COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	17,753,567	4,859,281	12,894,286	Retention not paid yet and grants not spend.
Call investment deposits	50,709,125	30,000,000	20,709,125	
Consumer debtors	35,440,945	23,948,372	11,492,573	Unexpected high increase in traffic fines
Other Receivables	2,884,786	3,000,000	(115,214)	
Current portion of long-term receivables	6,811	5,429	1,382	
Inventory	4,848,108	2,200,000	2,648,108	Budget was based on prior year actuals which did not include correction of previous year inventory.
Total current assets	111,643,342	64,013,082	47,630,260	
Non current assets				
Long-term receivables	-	18,428	(18,428)	
Investments	9,832,136	-	9,832,136	
Investment property	159,063,601	149,002,813	10,060,788	
Property, plant and equipment	738,788,183	708,619,504	30,168,679	
Intangible Assets	1,267,644	1,253,821	13,823	
Total non current assets	908,951,564	858,894,566	50,056,998	
TOTAL ASSETS	1,020,594,904	922,907,648	97,687,256	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	7,625,567	6,973,907	651,660	
Consumer deposits	3,893,108	3,879,468	13,640	
Trade and other payables	64,524,585	37,291,973	27,232,612	Not budgeted for unspent grants and a sharp increase in overall expenditure in June 2015.
Provisions and Employee Benefits	15,601,178	15,009,663	591,515	
Total current liabilities	91,644,438	63,155,011	28,489,426	
Non current liabilities				
Borrowing	102,924,422	114,094,774	(11,170,352)	
Provisions and Employee Benefits	107,287,180	70,300,212	36,986,968	Increase in non current provision of landfill sites due to new legislation.
Total non current liabilities	210,211,601	184,394,986	25,816,615	
TOTAL LIABILITIES	301,856,038	247,549,997	54,306,041	
NET ASSETS	718,738,867	675,357,651	43,381,216	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	617,971,095	587,701,161	30,269,934	
Reserves	100,767,769	87,656,490	13,111,279	Not budgeted for revaluation of PPE
TOTAL COMMUNITY WEALTH/EQUITY	718,738,864	675,357,651	43,381,213	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015
ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	7,234,754	(2,375,473)	4,859,281	
Call investment deposits	-	30,000,000	30,000,000	
Consumer debtors	41,651,297	(17,702,925)	23,948,372	
Other Receivables	3,000,000	-	3,000,000	
Current portion of long-term receivables	5,356	73	5,429	
Inventory	2,200,000	-	2,200,000	
Total current assets	54,091,407	9,921,675	64,013,082	
Non current assets				
Long-term receivables	19,046	(618)	18,428	
Investments	-	-	-	
Investment property	124,561,025	24,441,788	149,002,813	
Property, plant and equipment	538,069,818	170,549,686	708,619,504	
Biological Assets	-	-	-	
Intangible Assets	1,573,386	(319,565)	1,253,821	
Heritage Assets	-	-	-	
Total non current assets	664,223,275	194,671,291	858,894,566	
TOTAL ASSETS	718,314,682	204,592,966	922,907,648	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	8,337,681	(1,363,774)	6,973,907	
Consumer deposits	3,763,276	116,192	3,879,468	
Trade and other payables	34,330,902	2,961,071	37,291,973	
Provisions and Employee Benefits	12,308,334	2,701,329	15,009,663	
Total current liabilities	58,740,193	4,414,818	63,155,011	
Non current liabilities				
Borrowing	102,980,433	11,114,341	114,094,774	
Provisions and Employee Benefits	69,183,490	1,116,722	70,300,212	
Total non current liabilities	172,163,923	12,231,063	184,394,986	
TOTAL LIABILITIES	230,904,116	16,645,881	247,549,997	
NET ASSETS	487,410,566	187,947,085	675,357,651	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	443,297,063	144,404,098	587,701,161	
Reserves	44,113,503	43,542,987	87,656,490	
TOTAL COMMUNITY WEALTH/EQUITY	487,410,566	187,947,085	675,357,651	

The municipality adjusted the budget taking into account the previous year's actuals.

The classification basis of the budget and financial statements are different and the statements of comparison of budget and actual amounts were compiled in terms of the budget classifications.

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	68,768,536	68,909,881	(141,345)	
Property rates - penalties & collection charges	-	-	-	
Service charges	153,960,353	156,254,089	(2,293,736)	
Rental of facilities and equipment	1,467,255	1,766,330	(299,075)	
Interest earned - external investments	5,134,068	3,000,000	2,134,068	Prudent approach was adopted when budgeting for interest earned. Cash position has improved significantly and surplus cash was invested in accordance with the cash management policy.
Interest earned - outstanding debtors	6,473,252	6,480,000	(6,748)	
Dividends received	-	-	-	
Fines	25,247,432	24,284,250	963,182	
Licences and permits	2,560,578	2,468,800	91,778	
Agency services	2,435,053	2,400,000	35,053	
Government Grants and Subsidies	168,311,110	184,582,712	(16,271,602)	Unspent grants
Other revenue	6,170,611	4,204,512	1,966,099	Did not budget for fair value adjustments and payments from third parties as it is difficult to estimate.
Gains on disposal of PPE	1,866,808	-	1,866,808	Could not estimate gain or loss on disposal as a result of uncertainty in relation to market conditions and selling price of assets.
Total Operating Revenue	442,395,055	454,350,574	(11,955,519)	
EXPENDITURE BY TYPE				
Employee related costs	138,724,858	140,980,516	(2,255,658)	
Remuneration of councillors	8,573,261	9,277,131	(703,870)	
Debt impairment	36,926,127	37,552,688	(626,561)	
Depreciation & asset impairment	12,608,857	27,080,869	(14,472,012)	Budget for impairment was overprovided due to uncertainty in respect of market conditions and economic climate.
Finance charges	13,236,707	12,732,813	503,894	
Bulk purchases	54,669,586	55,091,228	(421,642)	
Other materials	-	-	-	
Contracted services	18,524,663	18,745,851	(221,188)	
Grants and subsidies paid	1,350,834	1,000,000	350,834	
Other expenditure	80,831,221	108,233,305	(27,402,084)	More budgeted for housing top structures due to not taking into account payments made as a agent which should be excluded according to GRAP.
Loss on disposal of PPE	3,744,789	-	3,744,789	Properties were sold at less than market value. This could not have been foreseen when the budget was prepared.
Total Operating Expenditure	369,190,902	410,694,401	(41,503,499)	
Operating Surplus for the year	73,204,152	43,656,173	29,547,980	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	2015 R Final Virements	2015 R (Final Year-end Budget)	Reasons for material adjustments
REVENUE BY SOURCE						
Property rates	68,909,881	-	68,909,881	-	68,909,881	
Property rates - penalties & collection charges	-	-	-	-	-	
Service charges	156,248,684	5,405	156,254,089	-	156,254,089	
Rental of facilities and equipment	1,607,230	159,100	1,766,330	-	1,766,330	
Interest earned - external investments	2,482,000	518,000	3,000,000	-	3,000,000	
Interest earned - outstanding debtors	6,480,000	-	6,480,000	-	6,480,000	
Dividends received	-	-	-	-	-	
Fines	14,333,920	9,950,330	24,284,250	-	24,284,250	Adjusted budget on accrual basis and increase in fine.
Licences and permits	2,724,200	(255,400)	2,468,800	-	2,468,800	
Agency services	2,332,000	68,000	2,400,000	-	2,400,000	
Transfers recognised	158,260,500	26,322,212	184,582,712	-	184,582,712	Additional grant funding received and correcting split of housing civils and
Other revenue	4,963,412	(758,900)	4,204,512	-	4,204,512	
Gains on disposal of PPE	235,000	(235,000)	-	-	-	
Total Operating Revenue	418,576,827	35,773,747	454,350,574	-	454,350,574	
EXPENDITURE BY TYPE						
Employee related costs	139,913,997	1,066,519	140,980,516	-	140,980,516	
Remuneration of councillors	9,277,131	-	9,277,131	-	9,277,131	
Debt impairment	23,730,000	13,822,688	37,552,688	-	37,552,688	Adjusted according to recalculation of payment percentage
Depreciation & asset impairment	23,080,869	4,000,000	27,080,869	-	27,080,869	Budgeting to included capital asset impairment.
Finance charges	13,433,196	(700,383)	12,732,813	-	12,732,813	
Bulk purchases	54,650,699	440,529	55,091,228	-	55,091,228	
Other materials	-	-	-	-	-	
Contracted services	19,721,170	(975,319)	18,745,851	-	18,745,851	
Grants and subsidies paid	1,000,000	-	1,000,000	-	1,000,000	
Other expenditure	86,784,377	21,448,928	108,233,305	-	108,233,305	Adjustment due to re-dividing the budget of housing between operational and capital
Loss on disposal of PPE	-	-	-	-	-	
Total Operating Expenditure	371,591,439	39,102,962	410,694,401	-	410,694,401	
Operating Surplus/(Deficit) for the year	46,985,388	(3,329,215)	43,656,173	-	43,656,173	

The classification basis of the budget and financial statements are different and the statements of comparison of budget and actual amounts were compiled in terms of the budget classifications.

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	217,662,231	231,860,406	(14,198,174)	
Government Grants	184,020,670	189,584,500	(5,563,830)	
Interest	11,607,320	9,480,000	2,127,320	According to debt collection policy interest is first subtracted from debtors payment
Dividends	-	-	-	
Payments				
Suppliers and Employees	(285,874,551)	(335,595,382)	49,720,831	Conservative cash flow budget and budget control/savings
Finance charges	(11,876,565)	(11,432,813)	(443,752)	Loan for 2014/2015 not raised, thus saving on finance charges.
Transfers and Grants	(1,350,834)	(1,000,000)	(350,834)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	114,188,272	82,896,711	31,291,560	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	5,755,153	-	5,755,153	Could not estimate disposal as a result of uncertainty in relation to market conditions and selling price of assets.
Decrease/(increase) in non-current investments	(9,641,699)	-	(9,641,699)	
Payments				
Capital assets	(73,127,207)	(85,176,932)	12,049,725	Underspending of approved capital budget due to delays by contractors.
NET CASH FROM/(USED) INVESTING ACTIVITIES	(77,013,754)	(85,176,932)	8,163,180	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	5,670,000	(5,670,000)	Loan for 2014/2015 not raised, thus saving on finance charges.
Increase/(decrease) in consumer deposits	233,233	219,593	13,640	
Payments				
Repayment of borrowing	(6,973,009)	(6,973,907)	898	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6,739,775)	(1,084,314)	(5,655,462)	
NET INCREASE/(DECREASE) IN CASH HELD	30,434,742	(3,364,535)	33,799,278	
Cash and Cash Equivalents at the beginning of the year	38,027,950	38,218,387	(190,437)	
Cash and Cash Equivalents at the end of the year	68,462,691	34,859,281	33,603,411	

THEEWATERSKLOOF MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	228,061,638	3,798,768	231,860,406	
Government - operating	103,590,312	24,356,050	127,946,362	
Government - capital	54,670,188	6,967,950	61,638,138	
Interest	8,962,000	518,000	9,480,000	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(307,740,529)	(27,854,853)	(335,595,382)	
Finance charges	(12,133,196)	700,383	(11,432,813)	
Transfers and Grants	(1,000,000)	-	(1,000,000)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	74,410,413	8,486,298	82,896,711	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	1,656,000	(1,656,000)	-	
Decrease/(increase) in non-current receivables	-	5,429	5,429	
Decrease/(increase) in non-current investments	-	-	-	The municipality adjusted the budget taking into account the previous year's actuals.
Payments				
Capital assets	(67,546,782)	(17,630,150)	(85,176,932)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(65,890,782)	(19,280,721)	(85,171,503)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	5,670,000	-	5,670,000	
Increase/(decrease) in consumer deposits	213,016	6,577	219,593	
Payments				
Repayment of borrowing	(7,182,945)	209,038	(6,973,907)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,299,929)	215,615	(1,084,314)	
NET INCREASE/(DECREASE) IN CASH HELD	7,219,702	(10,578,808)	(3,359,106)	
Cash and Cash Equivalents at the beginning of the year	15,052	38,203,335	38,218,387	
Cash and Cash Equivalents at the end of the year	7,234,754	27,624,527	34,859,281	

The classification basis of the budget and financial statements are different and the statements of comparison of budget and actual amounts were compiled in terms of the budget classifications.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements. Material differences for budget comparison purposes are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	<p>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</p> <p>This Directive can be applied when a Municipality elects to change the measurement basis selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>The Municipality is considering applying this Directive, but has not made a final decision at reporting date. The possible impact has therefore not yet been determined.</p>	1 April 2015
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information, to a large extent, is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Standard	Description	Effective Date
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown

THEEWATERSKLOOF MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Standard	Description	Effective Date
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
IGRAP17	<p>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2. Social Contribution Reserve

The Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.
- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

The Municipality recognises that businesses are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

1.9.3. Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. .

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.15. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.15.1. Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.15.4. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.15.5. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.15.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.17.3. Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.17.4. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Stormwater	5 - 150	Buildings	20 - 100
Refuse	20 - 50	Specialist vehicles	10 - 35
Electricity	10 - 100	Other vehicles	5 - 30
Water	10 - 200	Office equipment	3 - 15
Sewerage	10 - 200	Furniture and fittings	5-20
Housing	20 - 100	Watercraft	15 - 30
		Bins and containers	5 - 15
<u>Community</u>		Specialised plant and	
Buildings	20 - 100	Equipment	5 - 35
Recreational Facilities	20-30	Other plant and	
Security	5 - 15	Equipment	2- 25
Halls	20-30	Landfill sites	20 - 100
Libraries	20-30	Quarries	20 - 100
Parks and gardens	15-20	Emergency equipment	5 - 25
Other assets	15-30	Computer equipment	3 - 15
<u>Finance lease assets</u>			
Office equipment	3 - 15		
Other assets	5 – 15		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.5. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5-10

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as

the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. INVESTMENT PROPERTY**1.19.1. Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

1.19.3. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20. HERITAGE ASSETS

1.20.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2. Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.20.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.20.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

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- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2. Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

Receivables for fines outstanding are impaired based on payment history.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4. Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3. De-recognition of Financial Instruments

1.23.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.24. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.24.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.24.2. Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.24.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.25. REVENUE

1.25.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised as from 1 July 2013 prospectively in terms of changes to 1GRAP1, when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.25.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.26. RELATED PARTIES

The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.31.1. Post retirement medical obligations and Long service awards

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.31.2. Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.31.3. Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.4. Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

1.31.5. Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.6. Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.31.7. Revenue Recognition

Accounting policies on Revenue from Non-Exchange Transactions and Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.), specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31.8. Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance. All landfills sites are fully contaminated and therefore fully provided for the cost of rehabilitation.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

1.31.9. Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.31.10. Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.31.11. Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

1.31.12. Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The amount of Value Added Tax recoverable from, and payable to, the taxation authority is included as part of receivables and payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	15,721,475	6,499,770
Revaluations Reserve	84,991,026	81,275,442
Social Contributions Reserve	55,278	55,278
Total Net Asset Reserves	100,767,779	87,830,490
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	93,068,541	99,977,046
Capitalised Lease Liability - At amortised cost	458,477	64,505
Stock loans	17,022,971	17,022,971
	110,549,989	117,064,522
Current Portion transferred to Current Liabilities:	(7,625,567)	(6,973,907)
Annuity Loans - At amortised cost	(7,492,037)	(6,909,402)
Capitalised Lease Liability - At amortised cost	(133,531)	(64,505)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	102,924,422	110,090,615

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below

	Minimum annuity payments	
Amounts payable under annuity loans		
Payable within one year	17,109,242	17,229,200
Payable within two to five years	59,397,952	64,064,802
Payable after five years	85,012,273	97,454,665
	161,519,467	178,748,666
Less: Future finance obligations	(68,450,924)	(78,771,621)
Present value of annuity obligations	93,068,542	99,977,045

Annuity loans at amortised cost is calculated at 8.25%-16.5% interest rate, with first maturity date of 31 December 2014 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below

	Minimum lease payments	
Amounts payable under finance leases		
Payable within one year	185,400	93,066
Payable within two to five years	370,800	-
	556,200	93,066
Less: Future finance obligations	(97,723)	(28,561)
Present value of lease obligations	458,477	64,505

The capitalised lease liability consist of the following contract

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
DFA Solutions	Laptop computers	13.01%	0%	3 Years	30-06-2018

Leases are secured by property, plant and equipment, which consist of laptop computers - Note 12

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 LONG-TERM LIABILITIES (CONTINUE)

The obligations under stock loans are scheduled below:

Amounts payable under stock loans:

Payable within one year

Payable within two to five years

Payable after five years

Less: Future finance obligations

Present value of stock loan obligations

2015 R	2014 R
Minimum stock loan payments	
1,602,327	1,597,949
7,348,984	6,397,496
24,383,156	26,936,971
33,334,467	34,932,415
(16,311,497)	(17,909,445)
17,022,971	17,022,971

4 EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

Total Non-current Employee Benefit Liabilities

43,219,615	38,160,863
5,123,117	4,572,357
48,342,732	42,733,220

Post Retirement Benefits

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss/ (Gain)

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

39,370,907	31,670,577
2,687,932	1,948,763
3,509,801	2,733,505
(1,220,187)	(1,164,956)
134,090	4,183,018
44,482,543	39,370,907
(1,262,928)	(1,210,044)
43,219,615	38,160,863

Long Service Awards

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss

Total long service 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

4,990,435	4,565,521
505,161	606,655
388,217	328,770
(379,921)	(343,708)
96,820	(166,803)
5,600,712	4,990,435
(477,595)	(418,078)
5,123,117	4,572,357

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

Contribution for the year

Interest cost

Expenditure for the year

Actuarial (Gain)/ Loss

Total employee benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

44,361,342	36,236,098
3,193,093	2,555,418
3,898,018	3,062,275
(1,600,108)	(1,508,664)
230,910	4,016,215
50,083,255	44,361,342
(1,740,523)	(1,628,122)
48,342,732	42,733,220

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4 EMPLOYEE BENEFITS (CONTINUE)**2015
R****2014
R****4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	166	166
In-service (employee) non-members	425	410
Continuation members (e.g. Retirees, widows, orphans)	34	34
Total Members	625	610

The liability in respect of past service has been estimated to be as follows:

In-service members	21,438,559	17,485,290
In-service non-members	5,273,310	5,010,454
Continuation members	17,770,674	16,875,163
Total Liability	44,482,543	39,370,907

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
Members	31,670,577	29,679,626	26,514,500
Total Liability	31,670,577	29,679,626	26,514,500

Experience adjustments were calculated as follows:	2015 R	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	(68,000)	2,747,000	(384,000)	(1,390,000)	4,680,000
Assets: Gain / (loss)	-	-	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health;
Hosmed;
Samwumed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R2 946 000, whereas the Interest Cost for the next year is estimated to be R3 939 800.

Key actuarial assumptions used:	2015 %	2014 %
i) Rate of interest		
Discount rate	8.98%	9.05%
Health Care Cost Inflation Rate	8.07%	8.23%
Net Effective Discount Rate	0.84%	0.76%

A discount rate of 8.98% per annum has been used. The corresponding index-linked yield at this term is 1.79%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4

EMPLOYEE BENEFITS (CONTINUE)

The amounts recognised in the Statement of Financial Position are as follows:

	2015 R	2014 R
Present value of fund obligations	44,482,543	39,370,907
Net liability	44,482,543	39,370,907

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	39,370,907	31,670,577
Total expenses	4,977,546	3,517,312
Current service cost	2,687,932	1,948,763
Interest Cost	3,509,801	2,733,505
Benefits Paid	(1,220,187)	(1,164,956)
Actuarial loss	134,090	4,183,018
Present value of fund obligation at the end of the year	44,482,543	39,370,907
Less: Transfer of Current Portion - Note 7	(1,262,928)	(1,210,044)
Balance 30 June	43,219,615	38,160,863

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability	Continuation members liability	Total liability (Rm)
Central Assumptions	26,712,000	17,771,000	44,483,000

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	% change
Health care inflation	1%	32,213,000	19,624,000	51,837,000	17%
Health care inflation	-1%	22,307,000	16,173,000	38,480,000	-13%
Discount Rate	1%	22,107,000	16,198,000	38,305,000	-14%
Discount Rate	-1%	32,706,000	19,627,000	52,333,000	18%
Post-retirement mortality	-1 year	27,610,000	18,491,000	46,101,000	4%
Average retirement age	-1 year	29,017,000	17,771,000	46,788,000	5%
Continuation of membership at retirement	-10%	21,161,000	17,771,000	38,932,000	-12%

Sensitivity Analysis on the future service cost and interest cost

Assumption		Current Service Cost	Interest Cost	Total	% change
		R	R	R	
Central Assumptions		2,946,000	3,939,800	6,885,800	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	3,611,300	4,600,300	8,211,600	19%
Health care inflation	-1%	2,415,800	3,400,700	5,816,500	-16%
Discount rate	1%	2,411,300	3,761,900	6,173,200	-10%
Discount rate	-1%	3,647,700	4,127,600	7,775,300	13%
Post-retirement mortality	-1 year	3,043,200	4,085,100	7,128,300	4%
Average retirement age	-1 year	3,131,200	4,146,800	7,278,000	6%
Continuation of membership at retirement	-10%	2,331,700	3,441,200	5,772,900	-16%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4 EMPLOYEE BENEFITS (CONTINUE)

2015
R

2014
R

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

591

576

Key actuarial assumptions used:

2015
%

2014
%

i) Rate of interest

Discount rate	8.12%	8.11%
General Salary Inflation (long-term)	7.14%	7.21%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.91%	0.84%

The discount rate of 8,12% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1,39%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

ii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5,600,712	4,990,435
Net liability	5,600,712	4,990,435

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
Total Liability	4,565,521	3,890,156	3,252,067

Experience adjustments were calculated as follows:	2015 R	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	125,780	(63,677)	(246,582)	21,373	(25,172)
Assets: Gain / (loss)	-	-	-	-	-

Reconciliation of present value of fund obligation:

	2015 R	2014 R
Present value of fund obligation at the beginning of the year	4,990,435	4,565,521
Total expenses	513,457	591,717
Current service cost	505,161	606,655
Interest Cost	388,217	328,770
Benefits Paid	(379,921)	(343,708)
Actuarial loss	96,820	(166,803)
Present value of fund obligation at the end of the year	5,600,712	4,990,435
Less: Transfer of Current Portion - Note 7	(477,595)	(418,078)
Balance 30 June	5,123,117	4,572,357

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		5,601	
General salary inflation	1%	6,017	7%
General salary inflation	-1%	5,227	-7%
Discount Rate	1%	5,212	-7%
Discount Rate	-1%	6,043	8%
Average retirement age	-2 yrs	4,752	-15%
Average retirement age	2 yrs	6,306	13%
Withdrawal rates	-50%	6,984	25%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4	EMPLOYEE BENEFITS (CONTINUE)			2015 R	2014 R
Sensitivity Analysis on the current- service cost and interest cost for year ending 30/6/2016					
Assumption	Change	Current Service Cost R	Interest Cost R	Total R	% change
Central Assumptions		604,900	435,700	1,040,600	
The effect of movements in the assumptions are as follows:					
General salary inflation	1%	660,700	469,300	1,130,000	9%
General salary inflation	-1%	555,500	405,400	960,900	-8%
Discount rate	1%	558,800	453,900	1,012,700	-3%
Discount rate	-1%	657,800	413,400	1,071,200	3%
Average retirement age	-2 year	528,800	366,700	895,500	-14%
Average retirement age	2 year	670,600	492,900	1,163,500	12%
Withdrawal rates	-50%	835,700	547,900	1,383,600	33%

4.3 Retirement funds

CAPE JOINT PENSION FUND

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).

Contributions paid recognised in the Statement of Financial Performance

12,608,636

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2013 - 100.2%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	232,041
SALA Pension Fund	135,866
SAMWU National Provident Fund	2,156,824
IMATU Provident Fund	35,804
	<u>2,560,536</u>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-site:	58,944,447	25,965,070
Total Non-current Provisions	58,944,447	25,965,070

	2015 R	2014 R
<u>Landfill Sites</u>		
Balance 1 July	25,965,070	24,980,081
Contribution for the year	32,979,377	984,989
Balance 30 June	58,944,447	25,965,070

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the following landfill sites at the end of its useful life:

Location	Site Dimensions	Estimated decommission date	Cost of Rehabilitation 2015	Cost of Rehabilitation 2014
Caledon	58 300m ²	2017	24,758,729	10,194,816
Genadendal	15 240m ²	2019	7,785,764	4,079,995
Greyton	16 000m ²	2019	8,080,063	4,682,808
Riversonderend	10 720m ²	2019	7,767,117	2,311,496
Villiersdorp	21 110m ²	2019	10,552,774	4,695,954
			58,944,447	25,965,070

A retrospective calculation of time value of money, based on average weighted investment rate of prime less 4% was used. This rate used is also within the inflation target range of South African Reserve Bank of between 3% to 6%.

6 CONSUMER DEPOSITS		
Water & Electricity	3,893,108	3,659,875
Total Consumer Deposits	3,893,108	3,659,875
Guarantees held in lieu of Electricity and Water Deposits	219,717	219,717

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

	2015 R	2014 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	1,262,928	1,210,044
Current Portion of Long-Service Provisions - Note 4	477,595	418,078
Staff Leave	9,411,958	8,405,940
Performance Bonuses	805,607	653,354
Annual Bonuses	3,373,929	2,967,709
Pension	34,904	52,274
Group Insurance	204,593	190,437
Overtime	29,664	-
Total Current Employee Benefits	15,601,178	13,897,836

The movement in current employee benefits are reconciled as follows:

<u>Staff Leave</u>		
Balance at beginning of year	8,405,940	7,794,181
Contribution / (reversal) for the year - Note 3C	1,947,119	1,328,584
Expenditure incurred	(941,100)	(716,825)
Balance at end of year	9,411,958	8,405,940

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7		2015 R	2014 R
	CURRENT EMPLOYEE BENEFITS (CONTINUED)		
	<u>Performance Bonuses</u>		
	Balance at beginning of year	653,354	484,953
	Contribution / (reversal) for the year	906,638	782,790
	Expenditure incurred	(754,385)	(614,389)
	Balance at end of year	805,607	653,354
	Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
	<u>Annual Bonuses</u>		
	Balance at beginning of year	2,967,709	2,734,793
	Contribution for the year	6,805,324	6,305,337
	Expenditure incurred	(6,399,104)	(6,072,421)
	Balance at end of year	3,373,929	2,967,709
	Annual bonuses are being paid after one year service. There is no possibility of reimbursement.		
	<u>Pension</u>		
	Balance at beginning of year	52,274	74,000
	Expenditure incurred	(17,370)	(21,726)
	Balance at end of year	34,904	52,274
	Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.		
	<u>Group Insurance</u>		
	Fair Value at beginning of year	190,437	141,864
	Fair Value adjustment during the year	14,156	48,573
	Fair value at end of year	204,593	190,437
	Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.		
	<u>Overtime</u>		
	Balance at beginning of year	-	-
	Contribution to current portion	29,664	-
	Expenditure incurred	-	-
	Balance at end of year	29,664	-
	Overtime for staff worked in current financial year, but paid in next financial year.		

8	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	28,468,536	19,244,727
	Balance Previously reported		19,156,861
	Correction of Eskom Invoice of June 2014 - Note 39.01		87,866
	Interest Accrued	1,235,870	1,308,374
	Payments received in advance	4,142,812	2,527,581
	Balance Previously reported		2,490,201
	Reclassification of unknown deposits - Notes 39.01		37,380
	Prepaid unused electricity units	832,601	680,794
	Retentions	14,504,904	14,789,954
	Sundry Deposits	950,595	829,655
	Land Sales deposits	222,562	132,296
	Total Trade Payables	50,357,880	39,513,381

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts. The municipality did not default on any of its obligations.

The carrying value of trade and other payables approximates its fair value

Sundry deposits include Hall, Builders and Housing Deposits

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants

	10,617,927	1,221,852
National Government Grants	954,916	157,568
Provincial Government Grants - restated 2014	9,335,328	718,791
Balance previously reported		320,236
Correction of error - Note 39.02		398,555
Other Grant Providers	327,683	345,493
Less: Unpaid Grants	-	6,313,484
National Government Grants	-	108,727
Provincial Government Grants	-	6,204,757
Total Conditional Grants and Receipts	10,617,927	(5,091,632)

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants was withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10 UNSPENT PUBLIC CONTRIBUTIONS

	2015 R	2014 R
HAN - Hogeschool van Arnhem en Nijmegen	631,360	222,011
IDC - Industrial Development Corporation	212,508	266,388
Total Unspent Public Contributions	843,868	488,399

Reconciliation of public contributions

HAN

Opening balance	222,011	227,349
Contributions received	1,399,760	925,329
Conditions met - Transferred to revenue	(990,411)	(930,666)
Closing balance	631,360	222,011

The grant is for the upliftment of previously disadvantaged communities.

Industrial Development Corporation

Opening balance	266,388	634,772
Conditions met - Transferred to revenue	(53,880)	(368,384)
Closing balance	212,508	266,388

The grant is for the promotion of local economic development and tourism.

11 TAXES

11.1 VAT PAYABLE

VAT Payable	10,167,822	8,170,659
Less: Contribution to provision for impairment of trade receivables from exchange transaction:	(7,462,913)	(6,815,167)
Vat payable	2,704,909	1,355,492

11.2 VAT RECEIVABLE

VAT Receivable	2,389,657	1,219,981
Total VAT receivable	2,389,657	1,219,981

11.3 NET VAT RECEIVABLE/(PAYABLE)

(315,252)	(135,512)
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VAT is receivable/payable on the cash basis.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation Charges and Impairment Losses						Carrying Value		
	Opening Balance R	Correction of error R	Additions R	Revaluations	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Correction of error	Depreciation for the year R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R
Land and Buildings	177,194,927	-	11,653,073	3,715,584	2,989,140	-	189,574,444	-	-	1,317,208	-	1,317,208	-	-	189,574,444
Land	52,175,290	-	-	269,793	3,183	-	52,441,900	-	-	-	-	-	-	-	52,441,900
Buildings	125,019,637	-	11,653,073	3,445,790	2,985,957	-	137,132,544	-	-	1,317,208	-	1,317,208	-	-	137,132,544
Infrastructure	515,016,554	-	58,709,948	-	-	-	573,726,502	79,113,647	-	8,264,177	-	-	-	87,377,824	486,348,678
Roads and Storm water	116,504,106	-	4,466,804	-	-	-	120,970,910	34,317,092	-	2,548,192	-	-	-	36,865,283	84,105,626
Electricity Network	49,851,708	-	7,286,659	-	-	-	57,138,367	9,414,820	-	1,191,317	-	-	-	10,606,138	46,532,229
Sewerage Network	130,352,123	-	14,456,519	-	-	-	144,808,642	13,715,084	-	1,843,810	-	-	-	15,558,895	129,249,748
Water Network	131,326,660	-	2,526,374	-	-	-	133,853,033	20,977,300	-	2,578,147	-	-	-	23,555,447	110,297,586
Refuse Removal	1,538,741	-	-	-	-	-	1,538,741	152,726	-	13,273	-	-	-	165,999	1,372,742
Housing Infrastructure	85,443,216	-	29,973,593	-	-	-	115,416,809	536,625	-	89,437	-	-	-	626,062	114,790,746
Community Assets	1,217,194	-	-	-	-	-	1,217,194	258,718	-	57,459	-	-	-	316,177	901,017
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	1,015,494	-	-	-	-	-	1,015,494	198,210	-	50,740	-	-	-	248,950	766,544
Cemeteries	201,699	-	-	-	-	-	201,699	60,508	-	6,719	-	-	-	67,227	134,472
Lease Assets	361,600	-	458,477	-	-	-	820,077	248,822	-	52,013	-	-	-	300,836	519,241
Office Equipment	361,600	-	458,477	-	-	-	820,077	248,822	-	52,013	-	-	-	300,836	519,241
Other Assets	39,237,686	-	2,764,197	-	-	-	42,001,882	10,421,410	-	1,840,065	-	-	-	12,261,475	29,740,407
Vehicles	3,567,448	-	-	-	-	-	3,567,448	682,727	-	80,619	-	-	-	763,346	2,804,102
Tools & Equipment	4,309,999	-	692,512	-	-	-	5,002,511	1,424,681	-	389,255	-	-	-	1,813,936	3,188,575
Furniture	1,381,680	-	156,034	-	-	-	1,537,715	488,435	-	77,913	-	-	-	566,348	971,366
Equipment	3,480,154	-	779,508	-	-	-	4,259,662	1,592,231	-	306,124	-	-	-	1,898,355	2,361,307
Special Vehicles	19,533,787	-	-	-	-	-	19,533,787	3,837,119	-	442,858	-	-	-	4,279,976	15,253,811
Tables	410,239	-	83,685	-	-	-	493,925	162,303	-	25,784	-	-	-	188,087	305,838
Chairs	704,839	-	118,824	-	-	-	823,663	249,448	-	41,926	-	-	-	291,374	532,288
Office Equipment	2,136,069	-	125,965	-	-	-	2,262,034	854,329	-	168,383	-	-	-	1,022,713	1,239,321
Computer Hardware	3,592,962	-	807,669	-	-	-	4,400,630	1,103,296	-	299,176	-	-	-	1,402,472	2,998,159
Other	120,510	-	-	-	-	-	120,510	26,840	-	8,028	-	-	-	34,869	85,641
	733,027,960	-	73,585,695	3,715,584	2,989,140	-	807,340,098	90,042,596	-	11,530,923	-	1,317,208	-	100,256,311	707,083,787

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2014

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation Charges and Impairment Losses						Carrying Value		
	Opening Balance R	Correction of error - Note 39.07 R	Additions R	Revaluations	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Correction of error	Depreciation for the year R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R
Land and Buildings	136,551,448	2,380,850	7,667,831	39,202,848	8,608,050	-	177,194,927	-	-	981,130	-	(981,130)	-	-	177,194,927
Land	41,991,372	1,730,850	6,882,601	1,679,110	108,643	-	52,175,290	-	-	981,130	-	-981,130	-	-	52,175,290
Buildings	94,560,077	650,000	785,230	37,523,738	8,499,407	-	125,019,637	-	-	-	-	-	-	-	125,019,637
Infrastructure	462,538,674	-	52,614,205	-	-	136,325	515,016,554	72,001,591	-	7,175,972	-	-	63,916	79,113,647	435,902,907
Roads and Storm water	111,448,682	-	5,191,749	-	-	136,325	116,504,106	31,959,507	-	2,421,501	-	-	63,916	34,317,092	82,187,015
Electricity Network	45,813,350	-	4,038,358	-	-	-	49,851,708	8,330,515	-	1,084,305	-	-	-	9,414,820	40,436,887
Sewerage Network	111,745,470	-	18,606,653	-	-	-	130,352,123	12,615,327	-	1,099,757	-	-	-	13,715,084	116,637,039
Water Network	123,210,651	-	8,116,009	-	-	-	131,326,660	18,509,601	-	2,467,699	-	-	-	20,977,300	110,349,360
Refuse Removal	1,538,741	-	-	-	-	-	1,538,741	139,452	-	13,273	-	-	-	152,726	1,386,015
Housing	68,781,780	-	16,661,436	-	-	-	85,443,216	447,187	-	89,437	-	-	-	536,625	84,906,591
Community Assets	1,217,194	-	-	-	-	-	1,217,194	201,259	-	57,459	-	-	-	258,718	958,476
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	1,015,494	-	-	-	-	-	1,015,494	147,470	-	50,740	-	-	-	198,210	817,284
Cemeteries	201,699	-	-	-	-	-	201,699	53,789	-	6,719	-	-	-	60,508	141,191
Lease Assets	361,600	-	-	-	-	-	361,600	192,033	-	56,789	-	-	-	248,822	112,778
Office Equipment	361,600	-	-	-	-	-	361,600	192,033	-	56,789	-	-	-	248,822	112,778
Other Assets	37,179,233	-	2,714,147	-	35,000	620,694	39,237,686	8,882,084	-	1,682,432	-	-	143,106	10,421,410	28,816,276
Vehicles	3,819,528	-	-	-	-	252,080	3,567,448	623,883	-	84,213	-	-	25,370	682,727	2,884,721
Tools & Equipment	3,778,343	-	537,626	-	-	5,969	4,309,999	1,069,119	-	357,174	-	-	1,612	1,424,681	2,885,318
Furniture	1,214,352	-	167,328	-	-	-	1,381,680	419,568	-	68,867	-	-	-	488,435	893,245
Equipment	3,084,602	-	407,335	-	-	11,783	3,480,154	1,327,806	-	266,879	-	-	2,453	1,592,231	1,887,923
Special Vehicles	19,512,009	-	377,914	-	35,000	321,136	19,533,787	3,494,509	-	440,492	-	-	97,883	3,837,119	15,696,668
Tables	393,949	-	16,290	-	-	-	410,239	139,641	-	22,662	-	-	-	162,303	247,936
Chairs	709,919	-	-	-	-	4,180	704,839	210,415	-	40,502	-	-	1,469	249,448	455,391
Office Equipment	1,803,028	-	335,497	-	-	2,456	2,136,069	699,662	-	155,953	-	-	1,286	854,329	1,281,740
Computer Hardware	2,743,894	-	872,157	-	-	23,090	3,592,962	878,668	-	237,662	-	-	13,034	1,103,296	2,489,666
Other	120,510	-	-	-	-	-	120,510	18,812	-	8,028	-	-	-	26,840	93,669
	637,848,149	2,380,850	62,996,183	39,202,848	8,643,050	757,019	733,027,960	81,276,967	-	9,953,781	-	(981,130)	207,022	90,042,596	642,985,364

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

12	PROPERTY, PLANT AND EQUIPMENT	2015 R	2014 R
	Assets pledged as security:		
	No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.		
	Third party payments received for losses incurred:		
	Payments received (Excluding VAT)	833,110	226,910
	Surplus/Deficit	833,110	226,910
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	1,333,061	8,643,050
		1,333,061	8,643,050
	The current economic climate with resultant declining property values is the main reason for impairment charge:		
	Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock and Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.		
		2015 R	2014 R
	Fully Depreciated assets still in use were as follows:	100,000	98,000
	Carrying value of property plant and equipment in the course of construction:	99,408,970	47,749,490
	Reconciliation of revaluation surplus:		
	Opening balance	81,275,442	41,091,455
	Movement for the period	3,715,584	40,183,987
	Closing balance	84,991,026	81,275,442
13	CAPITALISED RESTORATION COST	2015 R	2014 R
	Net Carrying amount at 1 July	89,363	136,945
	Cost	3,432,613	3,432,613
	Accumulated Depreciation	(3,258,049)	(3,212,825)
	Accumulated Impairments	(85,202)	(82,843)
	Acquisitions	31,619,234	-
	Depreciation for the year	(18,803)	(45,223)
	Impairment for the year	14,612	(2,359)
	Net Carrying amount at 30 June	31,704,406	89,363
	Cost	35,051,847	3,432,613
	Accumulated Depreciation	(3,276,851)	(3,258,049)
	Accumulated Impairments	(70,590)	(85,202)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

14	INVESTMENT PROPERTY	2015 R	2014 R
	Net Carrying amount at 1 July	165,792,813	152,571,764
	Cost - Balance previously reported		145,291,764
	Correction of error - Note 39.03		8,545,000
	Correction of error - Note 39.03		(1,265,000)
	Disposals	(7,633,134)	(1,065,885)
	Fair Value Adjustments - Impairment	(737,811)	(13,851,629)
	Revaluation increase	1,641,733	28,138,564
	Net Carrying amount at 30 June	159,063,601	165,792,813
	Cost	159,063,601	165,792,813

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no investment properties pledged as security for liabilities.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Revenue derived from the rental of investment property	271,079	274,718
Operating expenditure incurred on investment properties	89,956	144,947

15	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	1,573,385	1,892,950
	Cost	3,197,698	3,197,698
	Accumulated Amortisation	(1,624,313)	(1,304,749)
	Additions	14,338	-
	Amortisation	(320,079)	(319,564)
	Net Carrying amount at 30 June	1,267,644	1,573,385
	Cost	3,212,036	3,197,698
	Accumulated Amortisation	(1,944,393)	(1,624,313)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		2015 R	2014 R
Computer software	9 years	1,267,645	1,573,385

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16	NON-CURRENT INVESTMENTS	2015 R	2014 R
	Listed shares	204,593	190,437
	Cost - Balance previously reported		-
	Correction of error - Note		190,437
	Fixed Deposits	9,627,544	-
	Total Non-Current Investments	9,832,136	190,437
	Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to these shares.		
	Listed investments comprise of the following.		
	Sanlam - Shares Investment	204,593	190,437
		204,593	190,437
	Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates of 10.22% per annum.		
	Fixed deposits consist out of the following accounts:		
	Standard Bank - Acc.no.088907139005 - 5 year investmen	9,627,544	-
		9,627,544	-
	Included in Non-Current investments are balances ring-fenced for the following specific purpose		
	Repayment of long term liabilities	9,627,544	-
		9,627,544	-
17	HERITAGE ASSETS	2015 R	2014 R
	The municipality has four registered Heritage Assets, however, the principal usage of the assets is that of service delivery and is therefore recognised in Property, Plant and Equipment. The assets are as follows:		
		Recognised as :	Valuation
	Erf 614, Caledon - Utilised as the Town Hall	Property, Plant and Equipment	7,263,300
	Erven 12 and 14 - Villiersdorp - Utilised as a Restaurant.	Investment Properties	1,757,700
	Bridge at Meul Street, Caledon	Property, Plant and Equipment	3,527
	Bridge at Farm 39, Genadendal	Property, Plant and Equipment	1,481
			7,317,300
			3,037,000
			3,527
			1,481
	There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.		
	There are no Heritage Assets pledged as security for liabilities		
	There were no third party payments received for losses and impairments incurred.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18 LONG-TERM RECEIVABLES

Officials' Housing Loans - At amortised cost	6,811	29,286
Transfer from receivables from exchange transactions	3,089,203	1,064,167
Transfer from receivables from non-exchange transactions	1,446,136	2,024,285
	4,542,149	3,117,738
Less: Unamortised Discount on Loans	-	-
Balance 1 July	-	(4,524)
Adjustment for the period	-	4,524
Less: Current portion transferred to current receivables	(6,811)	(5,429)
Officials Housing Loans - At amortised cost	(6,811)	(5,429)
Less: Transfers to exchange and non-exchange receivables	(2,447,323)	(1,475,826)
Transfer to receivables from exchange transactions	(1,781,225)	(445,778)
Transfer to receivables from non-exchange transactions	(666,097)	(1,030,048)
Less: Allowance for doubtful debts	(2,088,016)	(1,612,626)
Allowance for doubtful debts on exchange transaction:	(1,307,977)	(618,389)
Allowance for doubtful debts on non-exchange transaction:	(780,039)	(994,237)
Total Long Term Receivables	-	23,857
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	1,612,626	2,197,942
Transfer from long-term receivables	475,390	(585,315)
Balance at end of year	2,088,016	1,612,626

HOUSING LOANS

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2016.

Balances of debtors with arrangements to pay off old debt for longer than 1 period are transferred from current receivables to long-term receivables. Due to the low level of payments and consistent with the accounting policy, all these debtors are impaired.

All remaining amounts are collectable

19 INVENTORY

Maintenance Materials - At cost	4,417,593	3,608,417
Balance Previously reported		1,884,068
Correction of inventory not recognised - Note 39.05		1,724,349
Water – at cost	430,515	398,183
Total Inventory	4,848,108	4,006,600

A reconciliation of water losses is included in Note 44.4

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
20 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	6,004,013	6,012,971
Water	32,813,237	28,799,265
Refuse	28,535,877	23,800,363
Sewerage	24,692,715	19,531,844
Other	2,801,039	5,466,781
Total Receivables from Exchange Transactions	93,538,905	82,992,835
Sub Total Receivables from Exchange Transactions	94,846,882	83,611,224
Transfer to long-term receivables	(3,089,203)	(1,064,167)
Transfer from long-term receivables transactions	1,781,225	445,778
Less: Allowance for Doubtful Debts	(76,779,811)	(70,715,230)
Total Net Receivables from Exchange Transactions	16,759,094	12,277,604

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary in terms of IGRAP1.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	27,840,381	26,575,952
Balance Previously reported		27,222,394
Property Rates incorrectly levied - Notes 39.06		(646,442)
Other Receivables	5,054,965	4,292,048
Balance Previously reported		4,389,343
Insurance claims paid short - Notes 39.06		(134,674)
Reclassification of unknown deposits - Notes 39.06		37,380
Accrued Fines	27,785,220	22,808,670
Total Receivables from Non-Exchange Transactions	59,900,527	52,682,434
Sub Total Receivables from Non-Exchange Transactions	60,680,566	53,676,671
Transfer to long-term receivables	(1,446,136)	(2,024,285)
Transfer from long-term receivables transactions	666,097	1,030,048
Less: Allowance for Doubtful Debts	(41,218,676)	(37,959,167)
Total Net Receivables from Non-Exchange Transactions	18,681,851	14,723,267

Ageing of receivables

Current (0 - 30 days)	24,126,526	19,397,941
1 to 3 months	16,751,039	15,001,215
Longer than 3 months	112,561,867	101,276,112
Total	153,439,432	135,675,268

Reconciliation of Provision for Bad Debts

Balance at beginning of year	108,674,397	114,933,880
Contribution to provision	41,103,454	47,929,975
Reversal of provision	(3,529,582)	-
Transfer to longterm receivables	(475,390)	585,315
Bad Debts Written Off	(27,774,394)	(54,774,773)
Balance at end of year	117,998,487	108,674,397

Balances past due not impaired:	5,250,743	7,226,049
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THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)		
Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.		
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
22 OPERATING LEASE ARRANGEMENTS		
22.1 The Municipality as Lessor (Asset)		
Balance on 1 July	489,252	442,097
Movement during the year	5,877	47,155
Balance on 30 June	495,129	489,252
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	715,367	761,233
1 to 5 Years	1,131,399	1,716,858
More than 5 Years	1,618,965	1,694,541
Total Operating Lease Arrangements	3,465,731	4,172,632
Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, with escalations of between 1% and 12% per year.		
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
The leases are in respect of land and buildings being leased out for periods ranging until 2094		
The municipality does not engage in any sub-lease arrangements.		
The municipality did not receive any contingent rent during the year		
23 CASH AND CASH EQUIVALENTS		
Assets		
Call Investments Deposits	50,709,125	26,776,969
Cost - Balance previously reported		26,967,406
Correction of error - Note		(190,437)
Primary Bank Account	17,743,217	11,240,631
Cash Floats	10,350	10,350
Total Cash and Cash Equivalents - Assets	68,462,691	38,027,950
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.		
The municipality has one guarantee of R15 000 in the name of the beneficiary, Eskom.		
An amount of R 430 224 (2014: R 430 224), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue , however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.		
The municipality has the following bank accounts:		
Current Accounts		
Caledon ABSA Bank - Account Number 405 7866 237 (Primary Bank Account):	17,743,217	11,240,631
Caledon ABSA Bank - Account Number 8 2014 6603 (Traffic account):	-	-
Caledon ABSA Bank - Account Number 40 5915 5676 (Traffic account):	-	-
	17,743,217	11,240,631
Traffic account is cleared daily to Primary Bank Account.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

23

CASH AND CASH EQUIVALENTS (CONTINUED)

2015
R

2014
R

Caledon ABSA Bank - Account Number 405 7866 237 (Primary Bank Account):

Cash book balance at beginning of year

11,240,631

6,794,698

Cash book balance at end of year

17,743,217

11,240,631

Bank statement balance at beginning of year

10,787,694

6,622,653

Bank statement balance at end of year

17,548,347

10,787,694

The municipality has a standing overdraft limit of R2 500 000 at ABSA Bank.

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Interneuron Capital Ltd

CA 002

Notice deposit

430,224

430,224

ABSA Bank

93 0013 5651

3 months investment

23,650,407

-

ABSA Bank

93 0013 5415

3 months investment

21,679,281

-

ABSA

90 9522 5460

Notice deposit

5,379,437

24,676,960

ABSA

90 8877 0478

Redemption Fund

-

2,100,009

51,139,349

27,207,193

(430,224)

(430,224)

Less: Provision for impairment

50,709,125

26,776,969

24

PROPERTY TAXES

Actual

Rateable Land and Buildings

70,187,938

59,156,482

Residential, Commercial Property, State

70,187,938

59,156,482

Balance previously reported

59,515,681

Correction of error - Note 39.1

(359,199)

Less: Rebates

(1,419,402)

(842,679)

Total Assessment Rates

68,768,536

58,313,803

2015
R

2014
R

Valuations - 1 JULY 2014

Rateable Land and Buildings

Residential

4,506,015,300

4,504,919,300

Business & Commercial

1,183,775,000

1,155,116,000

Public benefit Organizations

119,162,500

119,162,500

State-owned

360,329,500

350,921,500

Agricultural

7,980,922,500

7,980,832,500

Other

238,455,000

238,314,500

Total Assessment Rates

14,388,659,800

14,349,266,300

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24 PROPERTY TAXES (CONTINUED)

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential
 - The first R15 000 on the valuation is exempted.
 - A further R85 000 on the valuation are exempt from property rates for all those households earning less than R4 801. (This exemption is also applicable to persons older than 60 and earning between R4 801 and R6 401).

Rates:

Residential	0.7345 c/R	0.650 c/R
Commercial	1.6385 c/R	1.450 c/R
Agricultural	0.1693 c/R	0.137 c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25 GOVERNMENT GRANTS AND SUBSIDIES

	2015 R	2014 R
Unconditional Grants	62,481,000	57,262,000
Equitable Share	62,481,000	57,262,000
Conditional Grants	105,830,110	97,113,531
EPWP	1,097,084	1,770,530
National Electrification Program	3,900,000	-
Municipal Infrastructure Grant	25,115,568	24,800,570
MSIG Funds	825,273	857,855
Finance Management Grant	1,600,000	1,249,208
Neighbourhood Development Program Grant	-	904
Regional Bulk Infrastructure Grant	5,441,000	5,720,274
Municipal Disaster Recovery	439,000	-
Spatial Development Framework	-	30,469
Botrivier Development Contribution	-	38,889
CDW's	180,895	166,064
Project Preparation	-	69,400
Housing	59,098,512	52,357,867
Municipal Infrastructure Support Grant	1,018,000	-
Finance Management Support Grant	853,417	600,000
Multi Purpose Bus	-	62,102
Thusong Multi Purpose Centre	-	2,500,000
Main Roads Subsidy	92,000	74,000
Library Subsidy	5,872,952	6,014,543
Impound Facility	-	450,000
DBSA GIS	-	943
DBSA Local Economic Development	17,810	118,326
SETA	278,599	231,587
Total Government Grants and Subsidies	168,311,110	154,375,531

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	62,481,000	57,262,000
Executive and council	171,772	1,973,092
Budget and treasury office	38,075,357	89,040,321
Corporate services	2,140,237	-
Community and social services	5,795,557	5,914,226
Housing	59,098,512	-
Planning and development	17,810	118,326
Road transport	530,866	67,566
	168,311,110	154,375,531

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
25.01	Equitable share		
	Opening balance	-	-
	Grants received	62,481,000	57,262,000
	Conditions met - Transferred to revenue	(62,481,000)	(57,262,000)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R487.54 per month (2014: R420.57)		
25.02	EPWP		
	Opening balance	-	770,530
	Grants received	1,106,000	1,000,000
	Conditions met - Transferred to revenue	(1,097,084)	(1,770,530)
	Conditions still to be met	8,916	-
	To extend services to communities through a nationally co-ordinated approach.		
25.03	National Electrification Program		
	Opening balance	-	-
	Grants received	3,900,000	-
	Conditions met - Transferred to revenue	(3,900,000)	-
	Conditions still to be met	-	-
	To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure, in order to improve the quality of supply.		
25.04	Municipal Infrastructure Grant		
	Opening balance	157,568	109,138
	Grants received	24,958,000	24,849,000
	Conditions met - Transferred to revenue	(25,115,568)	(24,800,570)
	Conditions still to be met	-	157,568
	The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
25.05	MSIG Funds		
	Opening balance	(108,727)	(140,872)
	Grants received	934,000	890,000
	Conditions met - Transferred to revenue	(825,273)	(857,855)
	Grant expenditure to be recovered	-	(108,727)
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
25.06	Finance Management Grant		
	Opening balance	-	(250,792)
	Grants received	1,600,000	1,500,000
	Conditions met - Transferred to revenue	(1,600,000)	(1,249,208)
	Grant expenditure to be recovered	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
25.07	Neighbourhood Development Program Grant		
	Opening balance	-	76,904
	Grants received	-	-
	Conditions met - Transferred to revenue	-	(904)
	Grant withheld	-	(76,000)
	Conditions still to be met	-	-
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas. The amount of R76 000 was withheld from the Equitable Share in the financial year 2013/2014.		
25.08	Regional Bulk Infrastructure Grant		
	Opening balance	-	(1,761,363)
	Grants received	5,441,000	7,481,637
	Conditions met - Transferred to revenue	(5,441,000)	(5,720,274)
	Grant expenditure to be recovered	-	-
	The grant is utilised to construct sewerage bulk infrastructure in Grabouw.		
25.09	Municipal Disaster Recovery		
	Opening balance	-	-
	Grants received	1,385,000	-
	Conditions met - Transferred to revenue	(439,000)	-
	Conditions still to be met	946,000	-
	The grant was utilised to repair municipal property damage caused by nature disasters.		
25.10	Spatial Development Framework		
	Opening balance	-	30,469
	Conditions met - Transferred to revenue	-	(30,469)
	Conditions still to be met	-	-
	The grant is utilised to develop and update a SDF for the municipality.		
25.11	Botrivier Development Contribution		
	Opening balance	-	38,889
	Conditions met - Transferred to revenue	-	(38,889)
	Conditions still to be met	-	-
	To obtain a policy for dealing with development applications and the payment of development contributions		
25.12	CDW's		
	Opening balance	109,977	144,840
	Grants received	122,415	131,200
	Conditions met - Transferred to revenue	(180,895)	(166,064)
	Conditions still to be met	51,497	109,977
	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.		
25.13	Project Preparation		
	Opening balance	-	69,400
	Conditions met - Transferred to revenue	-	(69,400)
	Conditions still to be met	-	-
	Development of project plans.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
25.14	Housing		
	Opening balance	(6,204,758)	(224,882)
	Grants received	73,293,097	46,377,991
	Conditions met - Transferred to revenue	(59,098,512)	(52,357,867)
	Grant expenditure to be recovered	<u>7,989,826</u>	<u>(6,204,758)</u>
	Provide housing to the indigents.		
25.15	Municipal Infrastructure Support Grant		
	Opening balance	-	-
	Grants received	1,018,000	-
	Conditions met - Transferred to revenue	(1,018,000)	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was utilised to construct infrastructure.		
25.16	Financial Support Grant		
	Opening balance	100,000	400,000
	Grants received	1,336,560	300,000
	Conditions met - Transferred to revenue	(853,417)	(600,000)
	Conditions still to be met	<u>583,143</u>	<u>100,000</u>
	The grant is intended to be utilised for the improvement of financial governance.		
25.17	Multi Purpose Bus		
	Opening balance	-	62,102
	Conditions met - Transferred to revenue	-	(62,102)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant is intended to be utilised to purchase a bus.		
25.18	Thusong Multi Purpose Centre		
	Opening balance	-	2,500,000
	Conditions met - Transferred to revenue	-	(2,500,000)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant is intended to be utilised to build a Multi purpose centre in Grabouw.		
25.19	Main Roads Subsidy		
	Opening balance	-	-
	Grants received	92,000	74,000
	Conditions met - Transferred to revenue	(92,000)	(74,000)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The subsidy is utilised for the maintenance of the provincial main roads which runs through the town centre		
25.20	Library Subsidy		
	Opening balance	508,814	162,357
	Balance previously reportec		-
	Correction of error - Note 39.09		162,357
	Grants received	6,075,000	6,361,000
	Conditions met - Transferred to revenue	(5,872,952)	(6,014,543)
	Balance previously reportec		(6,250,740)
	Correction of error - Note 39.1		236,198
	Conditions still to be met	<u>710,862</u>	<u>508,814</u>
	The subsidy is utilised for the operational costs of libraries which is a provincial function		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

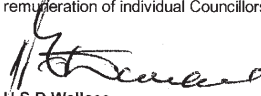
		2015 R	2014 R
25	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
25.21	Other Grant Providers		
	Opening balance	345,493	464,762
	Grants received	278,599	681,587
	Conditions met - Transferred to revenue	(296,409)	(800,856)
	Conditions still to be met	327,683	345,493
	Various grants were received from other spheres of government (e.g. DBSA and SETA)		
25.22	Total Grants		
	Opening balance	(5,091,632)	2,451,483
	Grants received	184,020,670	146,908,415
	Conditions met - Transferred to revenue	(168,311,110)	(154,375,531)
	Grants withheld	-	(76,000)
	Conditions still to be met/(Grant expenditure to be recovered)	10,617,927	(5,091,632)
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	10,617,927	1,221,852
	Unpaid Conditional Government Grants and Receipts	-	(6,313,484)
		10,617,927	(5,091,632)
26	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Conditional Grants	1,044,291	1,299,050
	HAN - Students	990,411	930,666
	Industrial Development Corporation - Local Economic Development	53,880	368,384
	Total Government Grants and Subsidies	1,044,291	1,299,050
26.01	HAN - Students		
	Opening balance	222,011	227,349
	Grants received	1,399,760	925,329
	Conditions met - Transferred to revenue	(990,411)	(930,666)
	Conditions still to be met	631,360	222,011
	The grant gives students from abroad the opportunity to engage with community in upliftment of previously disadvantaged communities projects.		
26.02	Industrial Development Corporation - Local Economic Development		
	Opening balance	266,388	634,772
	Conditions met - Transferred to revenue	(53,880)	(368,384)
	Conditions still to be met	212,508	266,388
	The grant is for the promotion of local economic development and tourism		
26.03	Total Public Contributions and donations		
	Opening balance	488,400	862,121
	Grants received	1,399,760	925,329
	Conditions met - Transferred to revenue	(1,044,291)	(1,299,050)
	Conditions still to be met/(Grant expenditure to be recovered)	843,868	488,400
27	SERVICE CHARGES		
	Electricity	67,096,375	64,593,922
	Water	43,967,146	37,086,939
	Refuse removal	21,495,952	20,722,658
	Sewerage and Sanitation Charges	21,194,876	19,983,180
	Other Service Charges	206,003	145,068
	Total Service Charges	153,960,353	142,531,766

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
28	OTHER INCOME		
	Plot Rental	38,290	36,448
	Building Plan fees	1,453,982	1,537,976
	Cemetery fees	484,245	476,821
	Valuation Certificates	252,568	221,314
	Vehicle Registration fees	678,235	523,611
	Sundry income	1,385,890	1,677,420
	Total Other Income	4,293,210	4,473,590
29	FAIR VALUE ADJUSTMENTS		
	Unamortised Discount - Interest	-	4,524
	Investment Property	-	28,138,564
		-	28,143,088
30	EMPLOYEE RELATED COSTS		
	Salaries	88,456,205	80,082,313
	Overtime	3,361,913	2,990,667
	Standby Allowances	1,869,758	1,274,794
	Transport Allowance	5,571,260	5,062,642
	Housing Subsidy	528,809	510,780
	Other Allowance	1,099,899	993,843
	Bonus	7,503,423	6,686,810
	Group Insurance	1,417,865	1,456,593
	Medical Aid Contributor	4,219,039	3,772,411
	Pension Fund Contributor	14,423,679	13,182,611
	Unemployment Fund	777,215	734,656
	Leave Reserve Fund	1,947,119	1,328,584
	Workmens Compensation Contributions	457,562	873,150
	Contribution to provision - Long Service Awards	505,161	606,655
	Contribution to provision - Post Retirement Medical	2,687,932	1,948,763
	Post Retirement Finance Charges	3,898,018	3,062,275
	Total Employee Related Costs	138,724,858	124,567,548
	KEY MANAGEMENT PERSONNEL		
	Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. All other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period. Acting allowances are immaterial.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	Remuneration of the Municipal Manager - HSD Wallace		
	Annual Remuneratior	1,167,812	1,101,962
	Car Allowance	125,641	125,641
	Contributions to UIF, Medical and Pension Fund:	114,119	90,472
	Performance Bonuses	171,350	148,736
	Total	1,578,922	1,466,811
	Remuneration of the Director Technical Services - C van Heerder		
	Annual Remuneratior	1,042,053	983,272
	Car Allowance	120,000	120,000
	Contributions to UIF, Medical and Pension Fund:	41,100	23,381
	Performance Bonuses	123,932	95,351
	Total	1,327,085	1,222,005
	Remuneration of the Director Corporate Services - J Isaacs		
	Annual Remuneratior	938,746	889,353
	Car Allowance	60,000	60,000
	Contributions to UIF, Medical and Pension Fund:	204,406	177,300
	Performance Bonuses	124,687	105,946
	Total	1,327,839	1,232,599

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
30 EMPLOYEE RELATED COSTS (CONTINUE)		
<i>Remuneration of the Director Development Services - MH Gxoyiya</i>		
Annual Remuneration	846 406	797 464
Car Allowance	120 001	120 000
Contributions to UIF, Medical and Pension Funds	236 747	209 189
Performance Bonuses	112 665	74 162
Total	1 315 818	1 200 815
<i>Remuneration of the Director Financial Services - D Louw</i>		
Annual Remuneration	781 197	738 309
Car Allowance	108 000	108 000
Contributions to UIF, Medical and Pension Funds	189 649	163 941
Performance Bonuses	111 128	104 500
Total	1 189 974	1 114 750
<i>Remuneration of the Director Operational Services - J Barnard</i>		
Annual Remuneration	777 521	726 388
Car Allowance	62 428	62 428
Contributions to UIF, Medical and Pension Funds	241 333	223 716
Performance Bonuses	111 379	85 693
Total	1 192 661	1 098 225
31 REMUNERATION OF COUNCILLORS		
Mayor	751 841	719 382
Deputy Mayor	605 791	579 638
Speaker	605 791	579 638
Mayoral Committee Members	2 277 502	2 179 176
Councillors	4 332 335	4 145 297
Total Councillors' Remuneration	8 573 261	8 203 131
<i>In-kind Benefits</i>		
The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act. Disclosure of the remuneration of individual Councillors are considered immaterial.		
 H S D Wallace Municipal Manager		
32 DEBT IMPAIRMENT		
Receivables from exchange and non-exchange transactions - Note 21	37 573 873	47 239 932
Total Contribution to Impairment Provision	37 573 873	47 239 932
Less: Portion Relating to VAT	(647 746)	(690 043)
Total Debt Impairment	36 926 127	46 549 889
Impairment of traffic fines included above:	16 558 904	17 038 514
33 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	10 213 715	9 918 791
Capitalised restoration costs	18 803	45 223
Intangible Assets	320 079	319 564
Total depreciation and amortisation	10 552 597	10 283 579

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
34	IMPAIRMENTS		
	Property Plant & Equipment (Non-cash generating	1,333,061	8,678,050
	Capitalised restoration costs (Cash generating assets)	-	2,359
	Reversal of Capitalised restoration costs	(14,612)	-
	Investment Property (Cash generating assets)	737,811	13,851,629
		2,056,260	22,532,038
	The current economic climate with resultant declining property values is the main reason for impairment charges in the previous financial year.		
35	FINANCE CHARGES		
	Long-term Liabilities	11,876,565	11,493,092
	Non-current provisions	1,360,143	984,989
	Total finance charges	13,236,707	12,478,081
36	BULK PURCHASES		
	Electricity	44,583,289	41,425,690
	Water	10,086,297	8,617,455
	Total Bulk Purchases	54,669,586	50,043,145
37	GRANTS AND SUBSIDIES		
	Indigent Subsidies : Eskom payments	1,350,834	911,756
	Balance previously reported		823,890
	Correction of error - Note 39.1		87,866
	Total Grants and Subsidies	1,350,834	911,756
	Indigent subsidies paid to Eskom for registered indigent living in municipal area where Eskom is the supplier of electricity.		
38	GENERAL EXPENSES		
	Audit Fees	2,635,176	2,340,193
	Bank Charges	298,426	407,529
	Clean and Green Project	381,570	454,592
	Computer charges	176,935	183,617
	Fuel Cost	4,354,652	4,620,132
	Insurance	675,640	819,629
	Legal advice	487,076	912,992
	Material and protective clothing	1,813,024	1,403,670
	Membership fees	1,372,110	1,164,975
	Operating Grant expenditure (Housing Top Structures	29,543,103	33,768,955
	Postage	116,177	142,047
	Printing and stationery	793,509	730,852
	Quick Wins	-	530,192
	Electricity - Eskom	6,507,282	5,776,070
	Refuse bags	673,863	462,828
	Sporting programs	69,206	-
	Skills development levy	1,102,642	1,013,081
	Telephone	857,269	1,774,307
	Training	792,868	1,082,761
	Travel and subsistence	561,835	418,622
	Ward Committee	383,439	302,195
	Water Purification	1,410,101	1,103,937
	Other	3,225,912	4,363,934
	General Expenses	58,231,814	63,777,110

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3	2014
		R
	CORRECTION OF ERROR IN TERMS OF GRAP 3	
39.01	Payables from exchange transactions	
	Balance previously reported	39,476,002
	Reclassification of unknown deposits - Notes 39.06 and 8	37,380
	Correction of Eskom Invoice of June 2014 - Note 39.1 and 8	87,866
	Total	39,601,247
39.02	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	
	Balance previously reported	320,236
	Correction unspent library grant- Notes 39.09 and 9	162,357
	Correction unspent library grant- Notes 39.1 and 9	236,198
	Total	718,791
39.03	Investment property	
	Balance previously reported	145,291,764
	Restatement of Investment Property received for GAP housing purposes - Notes 39.09 and 14	8,545,000
	Restatement of Investment Property transferred ownership to other parties prior to the end of the current financial year 30 June 2015 - Notes 39.09 and 14	(1,265,000)
	Total	152,571,764
39.04	Non Current Investments	
	Balance previously reported	-
	Restatement of Sanlam Shares Investment - Notes 39.08 and 16	190,437
	Total	190,437
39.05	Inventory	
	Balance previously reported	1,884,068
	Inventory in stock but not recognised in the inventory account - Notes 39.09 and 19	1,724,349
	Total	3,608,417
39.06	Receivables from non-exchange transactions	
	Balance previously reported	54,420,407
	Property Rates incorrectly levied - Notes 39.09 and 21	(287,242)
	Property Rates incorrectly levied - Notes 39.1 and 21	(359,199)
	Insurance claims paid short - Notes 39.09 and 21	(134,674)
	Reclassification of unknown deposits - Notes 39.01 and 21	37,380
	Total	53,676,671
39.07	Property Plant and Equipment	
	Balance previously reported	640,604,516
	First-time recognition of PPE previously omitted	2,380,850
	Total	642,985,366
39.08	Cash and Cash Equivalents	
	Balance previously reported	26,967,406
	Restatement of Sanlam Shares Investment - Notes 39.04 and 16	(190,437)
	Total	26,776,969
39.09	Accumulated Surplus/(Deficit)	
	Balance previously reported	491,252,538
	Restatement of Investment Property received for GAP housing purposes - Notes 39.03	8,545,000
	Correction unspent library grant- Notes 39.02	(162,357)
	Inventory in stock but not recognised in the inventory account - Notes 39.05	1,724,349
	Property Rates incorrectly levied - Notes 39.06	(287,242)
	Insurance claims paid short - Notes 39.06 and 21	(134,674)
	First time recognition of PPE-note 38.5	2,380,850
	Restatement of Investment Property transferred ownership to other parties prior to the end of the current financial year 30 June 2015 - Notes 39.03	(1,265,000)
	Total	502,053,464
39.10	STATEMENT OF FINANCIAL PERFORMANCE	
	Balance previously reported	58,618,450
	Correction unspent library grant- Notes 39.02 and 25.2	(236,198)
	Property Rates incorrectly levied - Notes 39.06 and 24	(359,199)
	Correction of Eskom Invoice of June 2014 - Note 37 and 39.01	(87,866)
	Total	57,935,186

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
40 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	R	R
Surplus for the year	73,204,152	57,935,184
Adjustments for:		
Donations for Property, Plant and Equipmen	-	(49,500)
Depreciation	10,232,517	9,964,015
Impairments	2,056,260	22,532,038
Amortisation of Intangible Assets	320,079	319,564
(Gain) / Loss on disposal of property, plant and equipmen	1,877,981	31,514
Grants received	185,420,430	147,833,744
Grants withheld from Equitable Share	-	(76,000)
Grants recognised as revenue	(169,355,402)	(155,674,581)
Contribution from/to employee benefits- non curren	7,091,111	5,617,693
Contribution from/to employee benefits - non-current - expenditure incurre	(1,600,108)	(1,508,664)
Contribution from/to employee benefits - non-current - actuarial losses / gain:	230,910	4,016,215
Contribution to employee benefits – curren	9,702,900	8,465,285
Contribution to employee benefits – current - expenditure incurre:	(8,111,959)	(7,425,360)
Fair Value Adjustments - Property, Plant and Equipmen	-	(28,138,564)
Contribution to provisions – bad debi	36,926,127	47,239,932
Impairment written off	(27,774,394)	(54,774,773)
Operating lease income accrued	(5,877)	(47,155)
Changes in Non-current provisions - Unwinding of interes	1,360,143	984,989
Operating Surplus before changes in working capita	121,574,872	57,245,576
Changes in working capita	(7,386,600)	10,138,761
Increase/(Decrease) in Trade and Other Payables	10,844,499	(151,202)
Increase/(Decrease) in Taxes	827,486	4,129,501
(Increase)/Decrease in Long-term Receivables	(452,914)	585,787
(Increase)/Decrease in Inventory	(841,508)	(360,725)
(Increase)/Decrease in Trade Receivables from exchange transactions:	(10,546,070)	28,852,313
(Increase)/Decrease in Other Receivables from non-exchange transaction:	(7,218,093)	(22,916,913)
Cash generated/(absorbed) by operations	114,188,272	67,384,337
41 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 23	50,709,125	26,776,969
Cash Floats - Note 23	10,350	10,350
Bank - Note 23	17,743,217	11,240,631
Total cash and cash equivalents	68,462,691	38,027,950
42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES:		
Cash and Cash Equivalents - Note 41	68,462,691	38,027,950
Less:	68,462,691	38,027,950
	(11,461,795)	(1,894,147)
Unspent Committed Conditional Grants - Note 3	(10,617,927)	(1,221,852)
Unspent Public Contributions - Note 1C	(843,868)	(488,399)
Less: Unspent loans	-	(183,896)
Resources available for working capital requirements	57,000,896	36,133,803
Allocated to:		
Capital Replacement Reserve	15,721,475	6,499,770
Social Contribution Reserve	55,278	55,278
Resources available for working capital requirements	41,224,143	29,578,755
43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	R	R
Long-term Liabilities - Note 3	110,549,989	117,064,522
Used to finance property, plant and equipment - at cos	(110,549,989)	(117,248,418)
	-	(183,896)
Cash set aside for the repayment of long-term liabilities:	-	-
Cash invested for repayment of long-term liabilities	-	(183,896)
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2015	2014
		R	R
44.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure		
	Opening balance	21,904,021	97,110,750
	Unauthorised expenditure current year - capital	-	4,579,586
	Unauthorised expenditure current year - operating	-	17,324,435
	Approved by council	-	(97,110,750)
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	21,904,021	21,904,021

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Budget comparison by vote - Unauthorised expenditure current year - operating				
Executive and council	25,448,495	32,389,693	(6,941,198)	-
Budget and treasury office	33,628,064	34,393,456	(765,392)	-
Corporate services	51,818,279	63,383,267	(11,564,988)	-
Community and social services	5,684,556	5,945,790	(261,234)	-
Sport and recreation	7,109,249	7,506,830	(397,581)	-
Public safety	31,450,785	31,807,727	(356,942)	-
Housing	33,711,962	45,430,422	(11,718,460)	-
Planning and development	7,855,871	8,987,899	(1,132,028)	-
Road transport	28,699,667	30,714,576	(2,014,909)	-
Environmental protection	6,060	50,216	(44,156)	-
Electricity	53,309,994	57,206,764	(3,896,770)	-
Water	37,926,800	39,988,265	(2,061,465)	-
Waste water management	25,833,291	25,964,426	(131,135)	-
Waste management	26,707,830	26,925,071	(217,241)	-
	369,190,902	410,694,401	(41,503,499)	-

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Budget comparison by vote - Unauthorised expenditure current year - capital				
Executive and council	1,761,791	1,897,701	(135,910)	-
Budget and treasury office	29,023	39,854	(10,831)	-
Corporate services	1,474,764	2,521,350	(1,046,587)	-
Community and social services	180,535	1,321,659	(1,141,124)	-
Sport and recreation	10,469,047	11,425,222	(956,175)	-
Public safety	203,608	245,300	(41,692)	-
Housing	29,555,409	31,228,740	(1,673,331)	-
Planning and development	157,684	280,000	(122,316)	-
Road transport	3,302,894	4,587,511	(1,284,617)	-
Electricity	7,470,243	8,331,000	(860,757)	-
Water	2,526,374	5,378,958	(2,852,584)	-
Waste water management	16,038,612	17,919,637	(1,881,025)	-
	73,169,983	85,176,932	(12,006,949)	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.	2015 R	2014 R						
44.2	<u>Fruitless and wasteful expenditure</u>								
	Reconciliation of fruitless and wasteful expenditure								
	Opening balance	73,202	73,202						
	Fruitless and wasteful expenditure prior year - restated	-	-						
	Fruitless and wasteful expenditure current year	2,851	-						
	Written off by council	(2,851)	-						
	Amounts paid	(3,931)	-						
	Fruitless and wasteful expenditure awaiting further action	69,270	73,202						
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>2012/2013 Incorrect calculation of leave pay out</td><td>None</td></tr><tr><td>2014/2015 Owner not billed for cleaning of stand</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	2012/2013 Incorrect calculation of leave pay out	None	2014/2015 Owner not billed for cleaning of stand	None		
Incident	Disciplinary steps/criminal proceedings								
2012/2013 Incorrect calculation of leave pay out	None								
2014/2015 Owner not billed for cleaning of stand	None								
44.3	<u>Irregular expenditure</u>								
	Reconciliation of irregular expenditure								
	Opening balance	22,656,251	206,947						
	Irregular expenditure prior year	-	22,459,741						
	Irregular expenditure current year	20,524,106	244,660						
	Written off by council	-	(255,097)						
	Transfer to receivables for recovery	-	-						
	Irregular expenditure awaiting further action	43,180,357	22,656,251						
	Irregular expenditure awaiting condonement from National Treasury	43,435,454	22,911,348						
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Housing Contracts not finish within contract dates - 2013/2014 and prior years - R22 459 741</td><td>None</td></tr><tr><td>Housing Contracts not finish within contract dates - 2014/2015 - R20 524 106</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Housing Contracts not finish within contract dates - 2013/2014 and prior years - R22 459 741	None	Housing Contracts not finish within contract dates - 2014/2015 - R20 524 106	None		
Incident	Disciplinary steps/criminal proceedings								
Housing Contracts not finish within contract dates - 2013/2014 and prior years - R22 459 741	None								
Housing Contracts not finish within contract dates - 2014/2015 - R20 524 106	None								
	Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.								
44.4	<u>Material Losses</u>								
	Water distribution losses								
	- Kilolitres purified	4,688,915	4,802,938						
	- Kilolitres lost during distribution	1,124,857	1,071,916						
	- Percentage lost during distribution	24.00%	22.32%						
	Electricity distribution losses								
	- Units purchased (Kwh)	60,283,924	60,899,240						
	- Units lost during distribution (Kwh)	2,817,158	2,444,153						
	- Percentage lost during distribution	4.67%	4.01%						
45	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT								
45.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>	R	R						
	Opening balance	-	-						
	Council subscriptions	1,451,915	1,293,538						
	Amount paid - current year	(1,451,915)	(1,293,538)						
	Amount paid - previous years	-	-						
	Balance unpaid (included in creditors)	-	-						
45.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>								
	Opening balance	-	-						
	Current year audit fee	2,635,176	2,340,193						
	External Audit - Auditor-General	2,635,176	2,340,193						
	Amount paid - current year	(2,635,176)	(2,340,193)						
	Balance unpaid (included in creditors)	-	-						

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

2015

R

2014

R

45.3

VAT - [MFMA 125 (1)(b)]

Opening balance

300,244

(2,188,759)

Amounts received - current year

2,861,554

4,528,050

Amounts received - previous years

-

2,188,759

Amounts claimed - current year

(2,643,401)

(910,929)

Amounts paid

(923,662)

(3,316,877)

Amounts paid - previous years

(300,244)

Closing balance - (Receivable)/Payable

(705,508)

300,244

VAT - Receivable/(Payable)

(315,252)

(135,512)

Vat in suspense due to cash basis of accounting

Input VAT

9,852,570

8,035,148

Output VAT

(10,167,822)

(8,170,659)

Receivable/(Payable)

(315,252)

(135,512)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date.

45.4

PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Opening balance

-

-

Current year payroll deductions and Council Contribution

17,769,323

16,043,842

Amount paid - current year

(17,769,323)

(16,043,842)

Balance unpaid (included in creditors)

-

-

45.5

Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance

-

-

Current year payroll deductions and Council Contribution

31,731,880

28,908,704

Amount paid - current year

(31,731,880)

(28,908,704)

Balance unpaid (included in creditors)

-

-

45.6

Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

There were no Councillors who had arrear accounts for more than 90 days as at 30 June 2015.

45.7

Deviations approved in terms of the Supply Chain Management Policy

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

Less than

Between

Between

More than

R30,000

R30,001 and

R200,001 and

R2,000,001

R200,000

Executive & Council

87,912

-

-

-

Corporate Services

3,221,172

3,353,151

2,699,109

-

Development Services

41,403

97,797

995,991

-

Financial Services

424,614

389,903

652,319

-

Technical Services

231,803

89,191

-

11,548,609

Operations

341,412

284,688

-

-

4,348,315

4,214,730

4,347,419

11,548,609

The major deviations approved are as follows:

Incident

Amount

R

The appointment of a Housing Implementing Agent for Caledon

8,731,569

The appointment of a Housing Implementing Agent for Botrivier

2,817,040

Purchasing of W15mm WDM Water Meters

668,040

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CAPITAL COMMITMENTS	2015 R	2014 R
Commitments in respect of capital expenditure:		
Approved and contracted for:	34,336,076	40,517,153
Infrastructure	34,336,076	40,517,153
This expenditure will be financed from		
External Loans	3,257,437	4,133,901
Government Grants	29,499,809	36,383,252
Own Resources	1,578,831	-
	34,336,076	40,517,153

46

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2015 R	2014 R
1% (2014 - 0.5%) Increase in interest rates	684,523	380,176
0.5% (2014 - 0.5%) Decrease in interest rates	(342,262)	(190,088)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

46

FINANCIAL RISK MANAGEMENT (CONTINUED)

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	34.93%	41,218,676	34.93%	37,959,167
<u>Exchange Receivables</u>				
Services	65.07%	76,779,811	65.07%	70,715,230
	100.00%	117,998,487	100%	108,674,397

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2015 R	2014 R
Financial assets exposed to credit risk at year end are as follows		
Long term receivables	-	23,857
Receivables from exchange transactions	16,759,094	12,277,604
Receivables from non-exchange transactions	5,054,965	4,292,048
Cash and Cash Equivalents	68,462,691	38,027,950
	90,276,750	54,621,459

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

1.22

1.15

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities - Annuity Loans	17,109,242	59,398,312	55,042,058	29,969,856
Capital repayments	7,492,037	28,783,360	32,662,116	24,130,132
Interest	9,617,205	30,614,952	22,379,942	5,839,723
Long Term liabilities - Stock Loans	1,602,327	7,348,984	14,339,835	10,043,320
Capital repayments	-	1,000,000	7,553,169	8,469,801
Interest	1,602,327	6,348,984	6,786,666	1,573,520
Long Term liabilities - Finance Lease Liability	185,400	370,800	-	-
Capital repayments	133,531	324,947	-	-
Interest	51,869	45,853	-	-
Trade and Other Payables	45,159,906	-	-	-
	<u>64,056,874</u>	<u>67,118,096</u>	<u>69,381,893</u>	<u>40,013,176</u>
2014				
Long Term liabilities - Annuity Loans	17,229,200	64,065,162	58,411,839	39,042,467
Capital repayments	6,909,402	30,344,464	32,555,137	30,168,044
Interest	10,319,798	33,720,698	25,856,702	8,874,423
Long Term liabilities - Stock Loans	1,597,949	6,397,496	9,820,484	17,116,486
Capital repayments	-	-	2,553,169	14,469,801
Interest	1,597,949	6,397,496	7,267,315	2,646,685
Long Term liabilities - Finance Lease Liability	93,066	-	-	-
Capital repayments	64,505	-	-	-
Interest	28,561	-	-	-
Trade and Other Payables	36,172,710	-	-	-
	<u>55,092,925</u>	<u>70,462,657</u>	<u>68,232,323</u>	<u>56,158,953</u>

47 FINANCIAL INSTRUMENTS

2015 R 2014 R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

47.1	Financial Assets	Classification		
	Investments			
	Fixed Deposits	Financial instruments at amortised cost	9,627,544	-
	Sanlam Shares	Financial instruments at amortised cost	204,593	190,437
	Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	-	23,857
	Rates (Re-negotiated terms)	Financial instruments at amortised cost	-	-
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	16,759,094	12,277,604
	Receivables from non-exchange transactions	Financial instruments at amortised cost	5,054,965	4,292,048
	Current Portion of Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	6,811	5,429
	Sport Club Loans	Financial instruments at amortised cost	666,097	1,030,048
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	50,709,125	26,776,969
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	17,743,217	11,240,631
	Cash Floats and Advances	Financial instruments at amortised cost	10,350	10,350
			<u>100,781,794</u>	<u>55,847,374</u>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

	2015 R	2014 R
SUMMARY OF FINANCIAL ASSETS		
Financial instruments at amortised cost	100,781,794	55,847,374
At amortised cost	100,781,794	55,847,374

47.2 **Financial Liability**

Classification

Long-term Liabilities

Annuity Loans	Financial instruments at amortised cost	85,576,505	93,067,645
Capitalised Lease Liability	Financial instruments at amortised cost	324,947	-
Stock Loans	Financial instruments at amortised cost	17,022,971	17,022,971

Payables from exchange transactions

Trade creditors	Financial instruments at amortised cost	28,468,536	19,244,727
Interest portion of long term liabilities	Financial instruments at amortised cost	1,235,870	1,308,374
Retentions	Financial instruments at amortised cost	14,504,904	14,789,954
Sundry Deposits	Financial instruments at amortised cost	950,595	829,655

Current Portion of Long-term Liabilities

Annuity Loans	Financial instruments at amortised cost	7,492,037	6,909,402
Capitalised Lease Liability	Financial instruments at amortised cost	133,531	64,505
		155,709,895	153,237,232

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	155,709,895	153,237,232
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48 STATUTORY RECEIVABLES

Taxes

VAT Receivable	2,389,657	1,219,981
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Receivables from Non-exchange Transactions

Property Rates	6,261,024	5,655,299
Fines	7,365,862	5,770,156

Total Statutory Receivables

16,016,543	12,645,436
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49 EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date to be reported on.

50 IN-KIND DONATIONS AND ASSISTANCE

The DBSA provided technical assistance to the Local Economic Development Department. - -

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITIES

The Municipality has lodged a dispute in respect of the tariff charged by Overberg Water regarding a capital levy. This dispute has been referred to national Treasury in terms of section 44 of the Municipal Finance Management Act.

1,121,252	301,128
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

53 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related Party Transactions

	Rates - Levied 1 Jul 14 - 30 Jun 15	Service Charges - Levied 1 Jul 14 - 30 Jun 15	Other - Levied 1 Jul 14 - 30 Jun 15	Outstanding Balances 30 June 2015
Year ended 30 JUNE 2015				
Councillors	28,847	53,660	-	2,810
Carelse G	2,420	7,290	-	-
Cupido A	936	5,410	-	-
De Wet P	805	942	-	-
Hector M	1,065	431	-	-
Hendricks J	5,105	5,997	-	2,810
Nellie J	187	2,864	-	-
Papier KI	1,355	5,911	-	-
Punt C	4,906	6,580	-	-
Sipunzi U	103	4,307	-	-
Plato M	2,343	2,864	-	-
Tshaka M	-	4,179	-	-
Vosloo C	9,622	6,884	-	-
Senior Management				
Isaacs J	514	2,095	-	437

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

53.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

53.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statement:

53.3 Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations

The following purchases were made where immediate family members are in the service of the State

	2015 R	2014 R
<i>J & A Electriese Werke - Owner jandre Wessels is the son-in-law of Francois du Toit, TWK Deputy Director Electrical</i>	488,498	357,188
JDFD Transport Services - Transport services - Mother of Denver and Fredericks Damons : Technical Services		1,590
Coalition Trading - Owner Pieter Meintjies is the spouse of Alison Tobias-Meintjies, TWK Assistant Supervisor	49,209	214,010
Ithuba Industries Owner Alvino De Morney is the spouse of Wendy De Morney, Department of Education Teacher	9,339	567,828
TWK TV & Video - Owner Jan Barnard is the son of Jan Barnard, TWK Director Operations	32,080	13,124
Tano'Vera - Owner Tania Bippert is the domestic partner of Nino Hendrick, TWK Manager IT	72,560	31,894
Villiersdorp Sekurity - Director Leon Vosloo is the spouse of Christina Johanna Maria Vosloo TWK Speaker	49,430	38,623
Finck Attorneys - Legal Services - Spouse of Gail Finck - Senior Clerk Clearance:		2,547
Greyton Repairs - Owner Riaan Groenewald is the spouse of Gail Groenewald TWK Principle Clerk	20,109	42,961
Nolene du Toit - Owner Nolene du Toit is the spouse of Francois du Toit, TWK Deputy Director Electrical	1,320	
Groenland Security Services - Security and Monitoring - Spouse of M. Groenewald Senior Administrator Official, PAWC Department of Environmental Affairs		82,026
Petrol & Diesel Enjin Sentrum - Owner Petrus Pretorius is the parent-in-law of Joanne Pretorius, TWK Chief Clerk	445,425	336,133
R & L Hendricks Trust - Shareholder Robert Hendricks is the second cousin of Ashley Hendrick, TWK Manager SCM	13,370	

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

53	RELATED PARTIES (CONTINUED)	2015 R	2014 R
	Marshall Armature Winding - Owner Gert Koegelenberg is the spouse of Martie Koegelenberg, TWK Councillor	16,044	72,352
	Mopstix Cleaning Services - Owner Altina van Niekerk is the spouse of Monroe van Niekerk, Department of Health Ambulance Medic	5,200	44,800
	Adenco Construction - Director Victor Machimana is the parent of Helen Machimana, Department of Welfare Limpopo Social Worker; Director Vuyo Machimana is the parent of Busisiwe Skosana, Department of Health Gauteng Nursing Sister and Director Daniel Jacksor is the parent of Adele Kassner, Department of Education Teacher	5,763,631	1,163,951
	WAM Technology - Director Willem Botes is the spouse of Stella Botes, Department of Education Teacher	418,065	397,994
	Masanda Trading - Construction Services - Spouse of M. Thomas		327,372
	ABSA Bank - Director Maria Ramos is the spouse of Trevor Manual a Minister in the Presidency	6,807,272	4,847,393
	Aurecon SA - Professional Services - Parent of R Mehlala (CFO: Eastern Cape Arts and Culture Council) and Son of G Saaiman (Auditor General)		38,478
	MH Sullivan t/a Jenspeed Auto Consulting - Owner Mackman Hilton Sullivan is the son-in-law of Marius August Technical Officer in Grabouw	120,622	
	Safetech - Owner Elizma Goltz is the spouse of Ronald Micheal Goltz Fireman by the City of Cape Town	12,107	
	S'Cees Coffee Shop - Owner Esmaralda Dreyer is the mother of Joshwin Dreyer TWK Financial Intern and the spouse of Neville Dreyer Health Inspector by Overberg District Municipality	25,989	
	Anchwin Technical Work - Owner Angus Klaasen is the spouse of Wylene Klaasen TWK Clerk	63,978	
	Joseph Pedro Carpets - Owner Joseph Pedro is the grandparent of Wingreen Pedro TWK Records Clerk	98,810	
	Valentine Repairs - Owner Frederich Rosant is the step-father and/ relative living in a commor household of Chris Bloemfontein TWK IT Temp	25,014	
	Nico Nel - Owner Nico Nel is the parent of Zanne Nel TWK Legal Advisor	175,921	
		14,713,993	8,580,264

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2014	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2015
LONG-TERM LOANS							
Stock Loans							
DBSABANK - 20 years	9.29%	Loan No. 102275/4&5	31/03/2027	10,022,971	-	-	10,022,971
DBSABANK - 20 year	9.46%	Loan No. 101487/1	31/12/2024	6,873,758	-	-	6,873,758
DBSABANK	9.77%	Electricity Loan No. 101487/4 Admin/Corp/Refuse	31/12/2019	126,242	-	-	126,242
Total Long-term Loans				17,022,971	-	-	17,022,971
ANNUITY LOANS							
DBSA BANK - 10 & 20 year	10.74%	Loan No. 102807/1	30/06/2028	9,370,067	-	638,083	8,731,984
DBSA BANK 10 & 20 year	11.44%	Loan No. 103108/1 (Mun Buildings)	30/09/2028	9,055,098	-	314,420	8,740,677
ABSA BANK - 7 year	11.35%	11794	31/12/2014	28,775	-	28,775	-
ABSA BANK -7 year	11.35%	(Sewerage) 11792	31/12/2014	13,890	-	13,890	-
ABSA BANK - 11 year	11.14%	(Electricity, Water, Sewerage)10858/1	31/12/2018	826,636	-	150,531	676,106
ABSA BANK - 11 year	11.14%	(Sewerage)10858/2	31/12/2018	79,427	-	14,464	64,963
ABSA BANK - 7 year	11.35%	(Sewerage) 13051	31/12/2014	6,887	-	6,887	-
ABSA BANK - 7 year	11.35%	(Sewerage) 13052	31/12/2014	5,758	-	5,758	-
ABSA BANK - 8 year	11.27%	(Sewerage) 104013					
ABSA BANK - 8 year	11.27%	(12704/101) (Water Service)	31/12/2015	117,212	-	75,981	41,231
ABSA BANK - 8 year	11.27%	105021(12705/101) 13343(16.50%)	31/12/2015	48,318	-	31,322	16,997
DBSA BANK - 20 year	16.50%	(Electricity) Electricity (15.75%)	31/12/2019	124,173	-	15,350	108,823
DBSA BANK - 20 year	15.75%	(13705/102)	30/06/2020	63,297	-	6,994	56,302
DBSA BANK - 20 year	9.85%	103313.1	31/03/2029	20,098,228	-	629,300	19,468,929
DBSA BANK - 15 year	9.97%	103313.2	31/03/2024	5,264,382	-	327,229	4,937,154
DBSA BANK - 10 year	10.00%	103313.3	31/03/2019	660,642	-	107,728	552,914
DBSA BANK - 7 year	9.95%	103313.4	31/03/2016	1,519,399	-	722,896	796,503
STANDARD BANK-7 year	11.67%	72480009	31/07/2017	599,970	-	147,887	452,083
STANDARD BANK-10 year	11.72%	72479981	31/07/2020	2,315,766	-	254,854	2,060,912
DBSA - 20 year	11.06%	103817/3	31/12/2030	10,604,924	-	246,520	10,358,404
STANDARD BANK-15 year	12.22%	272400572	30/06/2026	7,500,197	-	300,252	7,199,946
ABSA BANK - 7 year	10.45%	406885872	30/06/2018	1,969,473	-	419,975	1,549,498
ABSA BANK - 15 year	10.79%	40-7908-8994	27/06/2027	11,065,746	-	420,519	10,645,227
ABSA BANK - 7 year	9.42%	40-7908-9071	27/06/2019	6,522,923	-	1,076,358	5,446,564
ABSA BANK - 7 year	8.25%	8259-8788	27/06/2019	295,210	-	49,911	245,299
ABSA BANK - 7 year	8.25%	8259-9091	27/06/2019	76,043	-	12,857	63,187
ABSA BANK - 7 year	8.25%	8259-9741	27/06/2019	469,144	-	79,318	389,825
ABSA BANK - 7 year	10.09%	387230962	21/06/2021	3,000,000	-	313,033	2,686,967
ABSA BANK - 10 year	10.63%	387230963	27/06/2024	8,275,461	-	497,413	7,778,048
Total Annuity Loans				99,977,046	-	6,908,504	93,068,542
LEASE LIABILITY							
25 Dell E5520 Laptops				64,505	-	64,505	-
30 Laptops					458,477	-	458,477
Total Lease Liabilities				64,505	458,477	64,505	458,477
TOTAL EXTERNAL LOANS				117,064,522	458,477	6,973,009	110,549,990

APPENDIX B - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL SUB-VOTES CLASSIFICATION

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
-	3,904,995	(3,904,995)	Admin Housing and Informal Settlements	59,098,512	33,711,962	25,386,551
1,051,009	9,185,517	(8,134,508)	Admin. : Technical Services	1,091,808	11,254,031	(10,162,224)
-	7,629,976	(7,629,976)	Admin: Operational Services	-	8,286,688	(8,286,688)
-	3,600,510	(3,600,510)	Admin: Planning and Development	-	3,656,240	(3,656,240)
1,543,035	221,955	1,321,080	Building Control	1,462,926	379,421	1,083,505
476,821	368,525	108,296	Cemeteries	484,245	418,488	65,757
-	664,262	(664,262)	Civil Protection & Fire Protection	-	435,073	(435,073)
3,769,040	15,777,846	(12,008,806)	Council's General Expenses	4,510,772	12,682,276	(8,171,504)
820,651	18,629,465	(17,808,814)	Directorate Corporate Services	778,940	19,620,467	(18,841,527)
69,845,256	52,878,230	16,967,026	Electricity Distribution	75,847,288	53,309,994	22,537,294
59,391,219	23,577,841	35,813,378	Financial Services	66,093,964	29,135,043	36,958,921
231,587	6,513,693	(6,282,106)	Human Resources	278,599	6,348,732	(6,070,133)
486,710	2,945,249	(2,458,539)	IDP / LED	71,690	2,702,057	(2,630,367)
-	4,117,174	(4,117,174)	Information Technology	-	4,651,622	(4,651,622)
-	1,324,242	(1,324,242)	Internal Audit	-	1,567,837	(1,567,837)
(49,300)	2,574,128	(2,623,428)	Law Enforcement	-	2,565,187	(2,565,187)
5,400,099	5,280,202	119,897	Library	5,671,890	5,266,068	405,822
-	377,720	(377,720)	Mechanical Workshop	-	446,800	(446,800)
930,666	4,147,487	(3,216,821)	Municipal Manager	990,411	4,479,531	(3,489,119)
-	799,153	(799,153)	Nature reserve	-	1,041,641	(1,041,641)
-	234,100	(234,100)	Other	10,632	329,070	(318,438)
(335,432)	5,057,375	(5,392,807)	Parks and Recreation	(694,350)	5,443,177	(6,137,527)
-	33,261	(33,261)	Pollution Control	-	6,060	(6,060)
67,566	68,814	(1,248)	Proclaimed Main Roads	92,000	101,014	(9,014)
-	1,259,020	(1,259,020)	Property Manangement	-	1,433,560	(1,433,560)
58,856,660	5,799,461	53,057,199	Property Rates	68,857,405	2,925,184	65,932,221
29,075,154	27,049,757	2,025,397	Property Services	(1,631,199)	5,840,387	(7,471,586)
77,272	22,251,659	(22,174,387)	Roads	(587,994)	25,400,411	(25,988,405)
21,241,982	15,565,751	5,676,231	Sewerage	22,385,253	19,002,683	3,382,570
-	3,662,739	(3,662,739)	Sewerage Purification	-	4,418,607	(4,418,607)
2,487,601	2,207,464	280,137	Sewerage Tanker Services	3,195,969	2,412,001	783,968
25,516,928	24,884,233	632,695	Solid Waste	26,211,492	26,707,830	(496,339)
20,943	532,061	(511,118)	Sports Grounds	5,512	623,941	(618,429)
82,743,229	34,013,314	48,729,916	Subsidies and Grants	31,441,886	-	31,441,886
(17,513)	548	(18,061)	Swimming pool & Camping Site	(91,074)	490	(91,564)
341,739	3,116,263	(2,774,524)	Town Planning	469,172	3,340,833	(2,871,661)
30,071,063	28,304,730	1,766,333	Traffic Services	25,329,818	28,121,455	(2,791,637)
5,195,638	3,303,367	1,892,271	Vehicle Licensing and Testing	5,574,436	3,198,242	2,376,194
39,417,446	38,859,801	557,645	Water Distribution	45,445,051	37,926,800	7,518,251
438,657,069	380,721,888	57,935,181	Total	442,395,055	369,190,902	73,204,152

APPENDIX C - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
4,699,706	27,555,309	(22,855,603)	Executive and council	5,501,184	25,448,495	(19,947,311)
200,991,108	64,714,858	136,276,250	Budget and treasury office	166,393,255	33,628,064	132,765,191
31,178,401	69,473,836	(38,295,435)	Corporate services	518,147	51,818,279	(51,300,132)
5,876,920	5,648,727	228,193	Community and social services	6,156,135	5,684,556	471,579
(332,002)	6,389,137	(6,721,139)	Sport and recreation	(779,912)	7,109,249	(7,889,160)
30,021,763	31,777,220	(1,755,457)	Public safety	25,340,450	31,450,785	(6,110,335)
-	3,904,995	(3,904,995)	Housing	59,098,512	33,711,962	25,386,551
-	-	-	Health	-	-	-
2,371,484	7,542,487	(5,171,003)	Planning and development	2,003,788	7,855,871	(5,852,083)
5,340,476	25,623,840	(20,283,364)	Road transport	5,078,443	28,699,667	(23,621,224)
-	33,261	(33,261)	Environmental protection	-	6,060	(6,060)
69,845,256	52,878,230	16,967,026	Electricity	75,847,288	53,309,994	22,537,294
39,417,446	38,859,801	557,645	Water	45,445,051	37,926,800	7,518,251
23,729,583	21,435,954	2,293,629	Waste water management	25,581,223	25,833,291	(252,069)
25,516,928	24,884,233	632,695	Waste management	26,211,492	26,707,830	(496,339)
-	-	-	Other	-	-	-
438,657,069	380,721,888	57,935,181	Total	442,395,055	369,190,902	73,204,152

APPENDIX D - Unaudited
THEEWATERSKLOOF MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2014	Correction of error	Balance 1 JULY 2014	Grants Received	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS						
	R	R	R	R	R	R
<u>National Government Grants</u>						
Equitable Share	-	-	-	62,481,000	(62,481,000)	-
EPWP	-	-	-	1,106,000	(1,097,084)	8,916
National Electrification Program	-	-	-	3,900,000	(3,900,000)	-
Municipal Infrastructure Grant	157,568	-	157,568.08	24,958,000	(25,115,568)	-
MSIG Funds	(108,727)	-	(108,727.10)	934,000	(825,273)	-
Finance Management Grant	-	-	-	1,600,000	(1,600,000)	-
Regional Bulk Infrastructure Grant (RBIG)	-	-	-	5,441,000	(5,441,000)	-
Municipal Disaster Recovery	-	-	-	1,385,000	(439,000)	946,000
Total National Government Grants	48,841	-	48,840.98	101,805,000	(100,898,925)	954,916
<u>Provincial Government Grants</u>						
CDW's	109,977	-	109,976.70	122,415	(180,895)	51,497
Housing	(6,204,758)	-	(6,204,757.58)	73,293,097	(59,098,512)	7,989,826
Municipal Infrastructure Support Grant	-	-	-	1,018,000	(1,018,000)	-
Main Roads Subsidy	-	-	-	92,000	(92,000)	-
Library Subsidy	110,260	398,555	508,814.08	6,075,000	(5,872,952)	710,862
Financial Support Grant	100,000	-	100,000.00	1,336,560	(853,417)	583,143
Total Provincial Government Grants	(5,884,521)	398,555	(5,485,966.80)	81,937,072	(67,115,776)	9,335,328
<u>Other Grant Providers</u>						
DBSA Local Economic Development	345,493	-	345,493.37	-	(17,810)	327,683
Public Contributions - HAN Students	222,011	-	222,011.44	1,399,760	(990,411)	631,360
Public Contributions - IDC - Local Economic Development	266,388	-	266,387.89	-	(53,880)	212,508
SETA	-	-	-	278,599	(278,599)	-
Total Other Grant Providers	833,893	-	833,892.70	1,678,359	(1,340,700)	1,171,551
Total	(5,001,788)	398,555	(4,603,233.12)	185,420,430	(169,355,402)	11,461,795

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
Governance and administration	211,036	(49,593)	161,443	172,413	10,969	106.8%	81.7%	236,869
Executive and council	6,461	(668)	5,793	5,501	(292)	95.0%	85.1%	4,700
Budget and treasury office	198,851	(46,517)	152,334	166,393	14,059	109.2%	83.7%	200,991
Corporate services	5,724	(2,408)	3,316	518	(2,798)	15.6%	9.1%	31,178
Community and public safety	20,852	80,430	101,282	89,815	(11,467)	88.7%	430.7%	35,567
Community and social services	6,155	277	6,432	6,156	(275)	95.7%	100.0%	5,877
Sport and recreation	75	(760)	(685)	(780)	(95)	113.9%	-1036.3%	(332)
Public safety	14,622	9,751	24,373	25,340	967	104.0%	173.3%	30,022
Housing	-	71,162	71,162	59,099	(12,064)	83.0%	#DIV/0!	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	7,627	1,779	9,406	7,082	(2,324)	75.3%	92.9%	7,712
Planning and development	2,026	696	2,722	2,004	(719)	73.6%	98.9%	2,371
Road transport	5,601	1,083	6,684	5,078	(1,606)	76.0%	90.7%	5,340
Environmental protection	-	-	-	-	-	-	-	-
Trading services	179,062	3,157	182,219	173,085	(9,134)	95.0%	96.7%	158,509
Electricity	75,906	(424)	75,482	75,847	366	100.5%	99.9%	69,845
Water	47,056	2,572	49,628	45,445	(4,183)	91.6%	96.6%	39,417
Waste water management	25,898	1,009	26,907	25,581	(1,326)	95.1%	98.8%	23,730
Waste management	30,202	-	30,202	26,211	(3,990)	86.8%	86.8%	25,517
Other	-	-	-	-	-	-	-	-
Total Revenue - Standard	418,577	35,774	454,351	442,395	(11,956)	97.4%	105.7%	438,657
Expenditure - Standard								
Governance and administration	146,042	(14,267)	131,775	110,895	(20,881)	84.2%	75.9%	161,744
Executive and council	28,563	3,828	32,390	25,448	(6,942)	78.6%	89.1%	27,555
Budget and treasury office	58,821	(22,827)	35,993	33,628	(2,365)	93.4%	57.2%	64,715
Corporate services	58,659	4,733	63,392	51,818	(11,574)	81.7%	88.3%	69,474
Community and public safety	35,543	53,598	89,141	77,957	(11,184)	87.5%	219.3%	47,720
Community and social services	6,167	(222)	5,946	5,685	(261)	95.6%	92.2%	5,649
Sport and recreation	7,380	127	7,507	7,109	(398)	94.7%	96.3%	6,389
Public safety	16,500	13,758	30,258	31,451	1,193	103.9%	190.6%	31,777
Housing	5,495	39,935	45,430	33,712	(11,718)	74.2%	613.5%	3,905
Health	-	-	-	-	-	-	-	-
Economic and environmental services	38,389	1,355	39,744	36,562	(3,182)	92.0%	95.2%	33,200
Planning and development	8,370	608	8,979	7,856	(1,123)	87.5%	93.9%	7,542
Road transport	29,968	747	30,715	28,700	(2,015)	93.4%	95.8%	25,624
Environmental protection	50	-	50	6	(44)	12.1%	12.1%	33
Trading services	151,618	(1,583)	150,035	143,778	(6,257)	95.8%	94.8%	138,058
Electricity	59,897	(1,690)	58,207	53,310	(4,897)	91.6%	89.0%	52,878
Water	41,496	(7)	41,488	37,927	(3,561)	91.4%	91.4%	38,860
Waste water management	24,604	(189)	24,414	25,833	1,419	105.8%	105.0%	21,436
Waste management	25,621	304	25,925	26,708	783	103.0%	104.2%	24,884
Other	-	-	-	-	-	-	-	-
Total Expenditure - Standard	371,591	39,103	410,694	369,191	(41,503)	89.9%	99.4%	380,722
Surplus/(Deficit) for the year	46,985	(3,329)	43,656	73,204	29,548	167.7%	155.8%	57,935

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Vote 1 - Executive & Council	8,442	(701)	7,741	7,372	(369)	95.2%	87.3%	6,571
Vote 2 - Finance & Admin	122,951	(580)	122,370	133,599	11,229	109.2%	108.7%	147,555
Vote 3 - Planning & Development	2,026	696	2,722	2,004	(719)	73.6%	98.9%	2,371
Vote 4 - Community & Social Services	6,155	277	6,432	6,156	(275)	95.7%	100.0%	5,877
Vote 5 - Housing	-	71,162	71,162	59,099	(12,064)	83.0%	#DIV/0!	-
Vote 6 - Public Safety	14,622	9,751	24,373	25,340	967	104.0%	173.3%	30,022
Vote 7 - Sport & Recreation	75	(760)	(685)	(780)	(95)	113.9%	-1036.3%	(332)
Vote 8 - Environmental Protection	-	-	-	-	-	-	-	-
Vote 9 - Waste Management	30,202	-	30,202	26,211	(3,990)	86.8%	86.8%	25,517
Vote 10 - Waste Water Management	25,898	1,009	26,907	25,581	(1,326)	95.1%	98.8%	23,730
Vote 11 - Roads Transport	5,601	1,083	6,684	5,078	(1,606)	76.0%	90.7%	5,340
Vote 12 - Water	47,056	2,572	49,628	45,445	(4,183)	91.6%	96.6%	39,417
Vote 13 - Electricity	75,906	(424)	75,482	75,847	366	100.5%	99.9%	69,845
Vote 14 - Other	79,643	(48,311)	31,332	31,442	110	100.4%	39.5%	82,743
Total Revenue by Vote	418,577	35,774	454,351	442,395	(11,956)	97.4%	105.7%	438,657
Expenditure by Vote to be appropriated								
Vote 1 - Executive & Council	59,084	4,994	64,078	56,323	(7,755)	87.9%	95.3%	55,370
Vote 2 - Finance & Admin	55,657	4,784	60,441	50,469	(9,972)	83.5%	90.7%	68,382
Vote 3 - Planning & Development	12,318	620	12,938	11,512	(1,426)	89.0%	93.5%	11,143
Vote 4 - Community & Social Services	6,167	(222)	5,946	5,685	(261)	95.6%	92.2%	5,649
Vote 5 - Housing	5,495	39,935	45,430	33,712	(11,718)	74.2%	613.5%	3,905
Vote 6 - Public Safety	16,500	13,758	30,258	31,451	1,193	103.9%	190.6%	31,777
Vote 7 - Sport & Recreation	7,380	127	7,507	7,109	(398)	94.7%	96.3%	6,389
Vote 8 - Environmental Protection	50	-	50	6	(44)	12.1%	12.1%	33
Vote 9 - Waste Management	25,621	304	25,925	26,708	783	103.0%	104.2%	24,884
Vote 10 - Waste Water Management	24,604	(189)	24,414	25,833	1,419	105.8%	105.0%	21,436
Vote 11 - Roads Transport	29,968	747	30,715	28,700	(2,015)	93.4%	95.8%	25,624
Vote 12 - Water	41,496	(7)	41,488	37,927	(3,561)	91.4%	91.4%	38,860
Vote 13 - Electricity	59,897	(1,690)	58,207	53,310	(4,897)	91.6%	89.0%	52,878
Vote 14 - Other	27,354	(24,056)	3,298	447	(2,851)	13.5%	1.6%	34,391
Total Expenditure by Vote	371,591	39,103	410,694	369,191	(41,503)	89.9%	99.4%	380,722
Surplus/(Deficit) for the year	46,985	(3,329)	43,656	73,204	29,548	167.7%	155.8%	57,935

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Property rates	68,910	–	68,910	68,769	(141)	99.8%	99.8%	58,673
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–
Service charges	156,249	5	156,254	153,960	(2,294)	98.5%	98.5%	142,532
Rental of facilities and equipment	1,607	159	1,766	1,467	(299)	83.1%	91.3%	1,936
Interest earned - external investments	2,482	518	3,000	5,134	2,134	171.1%	206.9%	2,904
Interest earned - outstanding debtors	6,480	–	6,480	6,473	(7)	99.9%	99.9%	9,267
Dividends received	–	–	–	–	–	–	–	–
Fines	14,334	9,950	24,284	25,247	963	104.0%	176.1%	29,835
Licences and permits	2,724	(255)	2,469	2,561	92	103.7%	94.0%	2,635
Agency services	2,332	68	2,400	2,435	35	101.5%	104.4%	2,189
Transfers recognised - operational	103,590	19,354	122,945	109,684	(13,260)	89.2%	105.9%	69,783
Other revenue	4,963	(759)	4,205	5,126	922	121.9%	103.3%	33,010
Gains on disposal of PPE	235	(235)	–	1,867	1,867	#DIV/0!	794.4%	–
Total Revenue (excluding capital transfers and contributions)	363,907	28,806	392,712	382,724	(9,989)	1363.3%	105.2%	352,765
Expenditure By Type								
Employee related costs	139,914	1,067	140,981	138,725	(2,256)	98.4%	99.2%	124,568
Remuneration of councillors	9,277	–	9,277	8,573	(704)	92.4%	92.4%	8,203
Debt impairment	23,730	13,823	37,553	36,926	(627)	98.3%	155.6%	47,240
Depreciation & asset impairment	23,081	4,000	27,081	12,609	(14,472)	46.6%	54.6%	32,816
Finance charges	13,433	(700)	12,733	13,237	504	104.0%	98.5%	12,478
Bulk purchases	54,651	441	55,091	54,670	(422)	99.2%	100.0%	50,043
Other materials	–	–	–	–	–	–	–	–
Contracted services	19,721	(975)	18,746	18,525	(221)	98.8%	93.9%	17,749
Transfers and grants	1,000	–	1,000	1,351	351	135.1%	135.1%	912
Other expenditure	86,784	21,449	108,233	80,831	(27,402)	74.7%	93.1%	86,372
Loss on disposal of PPE	–	–	–	3,745	3,745	#DIV/0!	#DIV/0!	341
Total Expenditure	371,591	39,103	410,694	369,191	(41,503)	1050.3%	99.4%	380,722
Surplus/(Deficit)	(7,685)	(10,297)	(17,982)	13,533	31,515	-75.3%	-176.1%	(27,957)
Transfers recognised - capital	54,670	6,968	61,638	59,671	(1,967)	96.8%	109.1%	85,892
Contributions recognised - capital	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	46,985	(3,329)	43,656	73,204	29,548	167.7%	155.8%	57,935

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Multi-year expenditure								
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-
Vote 2 - Finance & Admin	-	-	-	-	-	-	-	-
Vote 3 - Planning & Development	-	-	-	-	-	-	-	-
Vote 4 - Community & Social Services	-	794	794	14	(780)	1.7%	#DIV/0!	-
Vote 5 - Housing	22,964	8,265	31,229	29,555	(1,673)	94.6%	128.7%	-
Vote 6 - Public Safety	-	-	-	-	-	-	-	-
Vote 7 - Sport & Recreation	3,286	7,959	11,245	10,303	(942)	91.6%	313.6%	3,270
Vote 8 - Environmental Protection	-	-	-	-	-	-	-	-
Vote 9 - Waste Management	-	-	-	-	-	-	-	-
Vote 10 - Waste Water Management	-	-	-	-	-	-	-	8,238
Vote 11 - Roads Transport	-	-	-	-	-	-	-	-
Vote 12 - Water	-	-	-	-	-	-	-	5,688
Vote 13 - Electricity	2,500	-	2,500	2,342	(158)	93.7%	93.7%	-
Vote 14 - Other	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-
Capital multi-year expenditure	28,750	17,018	45,768	42,214	(3,554)	92.2%	146.8%	17,195
Single-year expenditure								
Vote 1 - Executive & Council	2,045	1,000	3,045	1,964	(1,081)	64.5%	96.0%	4,099
Vote 2 - Finance & Admin	626	(3)	624	506	(118)	81.1%	80.8%	705
Vote 3 - Planning & Development	419	651	1,070	910	(160)	85.1%	217.1%	2,458
Vote 4 - Community & Social Services	61	467	528	167	(361)	31.6%	275.7%	354
Vote 5 - Housing	-	-	-	-	-	-	-	16,661
Vote 6 - Public Safety	245	-	245	204	(42)	83.0%	83.0%	-
Vote 7 - Sport & Recreation	180	-	180	166	(14)	92.2%	92.2%	40
Vote 8 - Environmental Protection	-	-	-	-	-	-	-	-
Vote 9 - Waste Management	-	-	-	-	-	-	-	-
Vote 10 - Waste Water Management	18,604	(684)	17,920	16,039	(1,881)	89.5%	86.2%	10,368
Vote 11 - Roads Transport	3,263	1,324	4,588	3,303	(1,285)	72.0%	101.2%	5,192
Vote 12 - Water	9,242	(3,863)	5,379	2,526	(2,853)	47.0%	27.3%	2,428
Vote 13 - Electricity	4,111	1,720	5,831	5,128	(703)	87.9%	124.7%	3,445
Vote 14 - Other	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-
Capital single-year expenditure	38,797	612	39,409	30,913	(8,496)	78%	80%	45,751
Total Capital Expenditure - Vote	67,547	17,630	85,177	73,127	(12,050)	86%	108%	62,947
Capital Expenditure - Standard								
Governance and administration	3,091	1,368	4,459	3,223	(1,236)	72.3%	104.3%	4,947
Executive and council	1,898	-	1,898	1,762	(136)	92.8%	92.8%	1,645
Budget and treasury office	42	(3)	40	29	(11)	72.8%	68.5%	4
Corporate services	1,151	1,371	2,521	1,432	(1,089)	56.8%	124.4%	3,298
Community and public safety	26,736	17,485	44,221	40,409	(3,812)	91.4%	151.1%	20,325
Community and social services	61	1,261	1,322	181	(1,141)	13.7%	298.4%	354
Sport and recreation	3,466	7,959	11,425	10,469	(956)	91.6%	302.1%	3,309
Public safety	245	-	245	204	(42)	83.0%	83.0%	-
Housing	22,964	8,265	31,229	29,555	(1,673)	94.6%	128.7%	16,661
Health	-	-	-	-	-	-	-	-
Economic and environmental services	3,263	1,604	4,868	3,461	(1,407)	71.1%	106.1%	7,507
Planning and development	-	280	280	158	(122)	56.3%	#DIV/0!	2,316
Road transport	3,263	1,324	4,588	3,303	(1,285)	72.0%	101.2%	5,192
Environmental protection	-	-	-	-	-	-	-	-
Trading services	34,457	(2,828)	31,630	26,035	(5,594)	82.3%	75.6%	30,168
Electricity	6,611	1,720	8,331	7,470	(861)	89.7%	113.0%	3,445
Water	9,242	(3,863)	5,379	2,526	(2,853)	47.0%	27.3%	8,116
Waste water management	18,604	(684)	17,920	16,039	(1,881)	89.5%	86.2%	18,607
Waste management	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	67,547	17,630	85,177	73,127	(12,050)	86%	108%	62,947
Funded by:								
National Government	31,706	(949)	30,757	29,598	(1,159)	96.2%	93.4%	27,434
Provincial Government	23,025	9,300	32,324	30,240	(2,084)	93.6%	131.3%	19,307
District Municipality	-	-	-	-	-	-	-	62
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	54,731	8,350	63,081	59,838	(3,243)	95%	109%	46,802
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	5,670	5,308	10,978	6,687	(4,291)	60.9%	117.9%	8,509
Internally generated funds	7,146	3,972	11,118	6,602	(4,516)	59.4%	92.4%	7,635
Total Capital Funding	67,547	17,630	85,177	73,127	(12,050)	86%	108%	62,947

APPENDIX E - Unaudited
THEEWATERSKLOOF LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CASH FLOWS

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts					-	-	-	
Ratepayers and other	228,062	3,799	231,860	216,262	(15,598)	93.3%	94.8%	198,376
Government - operating	103,590	24,356	127,946	76,314	(51,632)	59.6%	73.7%	69,048
Government - capital	54,670	6,968	61,638	109,106	47,468	177.0%	199.6%	78,786
Interest	8,962	518	9,480	11,607	2,127	122.4%	129.5%	12,171
Dividends	-	-	-	-	-	-	-	-
Payments					-	-	-	
Suppliers and employees	(307,741)	(27,855)	(335,595)	(285,875)	49,721	85.2%	92.9%	(278,592)
Finance charges	(12,133)	700	(11,433)	(11,877)	(444)	103.9%	97.9%	(11,493)
Transfers and Grants	(1,000)	-	(1,000)	(1,351)	(351)	135.1%	135.1%	(912)
NET CASH FROM/(USED) OPERATING ACTIVITIES	74,410	8,486	82,897	114,188	31,292	137.7%	153.5%	67,384
CASH FLOWS FROM INVESTING ACTIVITIES					-	-	-	
Receipts					62,583	-	-	
Proceeds on disposal of PPE	1,656	(1,656)	-	5,755				1,584
Decrease (increase) in non-current debtors	-	-	-	-				-
Decrease (increase) other non-current receivables	-	5	5	-	(5)	-	-	-
Decrease (increase) in non-current investments	-	-	-	(9,642)	(9,642)	#DIV/0!	#DIV/0!	(190)
Payments					-	-	-	
Capital assets	(67,547)	(17,630)	(85,177)	(73,127)	12,050	85.9%	108.3%	(62,947)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(65,891)	(19,281)	(85,172)	(77,014)	8,158	90.4%	116.9%	(61,553)
CASH FLOWS FROM FINANCING ACTIVITIES					-	-	-	
Receipts					-	-	-	
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	5,670	-	5,670	-	(5,670)	-	-	11,275
Increase (decrease) in consumer deposits	213	7	220	233	14	106.2%	109.5%	354
Payments					4,904	-	-	
Repayment of borrowing	(7,183)	209	(6,974)	(6,973)	1	100.0%	97.1%	(6,978)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,300)	216	(1,084)	(6,740)	(5,655)	621.6%	518.5%	4,651
NET INCREASE/ (DECREASE) IN CASH HELD	7,220	(10,579)	(3,359)	30,435	33,794	-906.0%	421.6%	10,483
Cash/cash equivalents at the year begin:	15	38,203	38,218	38,028	(190)	99.5%	252643.8%	27,545
Cash/cash equivalents at the year end:	7,235	27,625	34,859	68,463	27,948	196.4%	946.3%	38,028